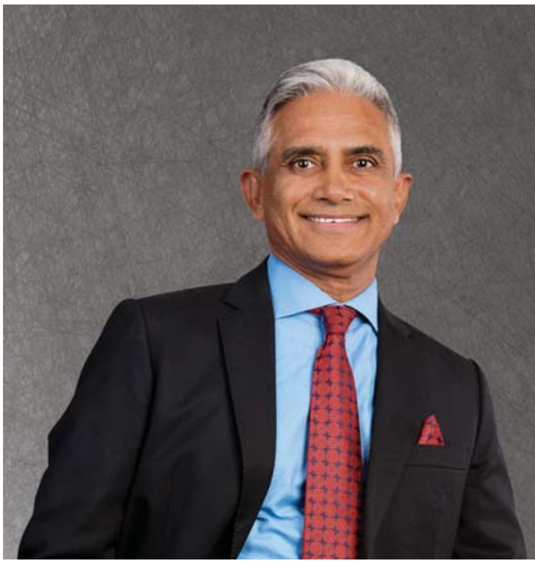


# Chairman's letter to stakeholders

*Suresh P Kana*

## Creating a sustainable Imperial

*The past year has been pivotal for Imperial. The implementation of far-reaching decisions, to secure the group's ability to deliver focused growth and superior returns long into the future, has proceeded at pace.*

These decisions are the outcome of the difficult questions, crucial to the sustainability of the group, that the leadership of Imperial has asked in the last three years. The interests of stakeholders, particularly the owners of the group, have been deeply considered in finding the most prudent answers.

Profound changes have been made to unlock intrinsic value within the group. A seamless transition to a significantly refreshed and younger leadership team at group and subsidiary level has been achieved, creating a propensity for change and innovation. Assets that do not fit the group's strategy, and which generated insufficient returns on executive effort, have been sold. Those that do, and which strengthen the core linkages between markets, sectors, assets and capabilities within the group's divisions have been acquired, in line with the group's investment thesis. This substantial portfolio reconfiguration is nearing completion.

The separation of the portfolio into two increasingly self-sufficient and sustainable multinational divisions is well advanced and each of them is restructuring internally to maximise their potential to create value. A thorough consideration of the cyclical and structural dynamics, specifically the disruptive technology-driven change that will redefine their core markets, is informing the work being done to position the divisions clearly and strongly within the logistics and vehicles sectors.

The internal separation has necessitated a realignment of the group's governance structure with two strong divisional operating boards established in the year. Supported by the overlap in membership between the group and divisional boards, the new governance structure ensures group board oversight of strategy development, capital management, leadership succession and exemplary governance standards within each division.

The divisional operating boards consist of group executives, operational executives, and independent non-executive directors of the group board. In each case, the divisional boards have the relevant mix of professional and industry expertise to provide the strategic stewardship and oversight to safeguard each division's ability to compete and win in its respective markets, and deliver targeted returns on the capital invested by the group.

Despite the impact of the potentially disruptive changes that have touched every part of the organisation – and very much because of the clarity, simplification and focus they have brought to its structure, strategies and value propositions – the group achieved its strategic, operational and financial objectives for the year. The board is confident that prospects for a sustainable improvement in performance in the years ahead are positive.

*The group and divisional performance and prospects are reviewed in detail, in relation to the macroeconomic and socio-political context, in the CEO's report starting on page 21, and the divisional reviews starting on page 40.*

# Investing in the enablers of sustainable value creation

Fundamental to each division's value proposition to its customers and employees, and to the strategic business partners it requires to be competitive, is the investment being made in the primary enablers of growth, returns and sustainability – the 'capitals' on which value creation depends. As such, the renewal of the group and its expression in the competitive strategies of the divisions, is essentially an exercise in integrated thinking as the premise for sustainable value creation.

Evidence of this investment is provided throughout the Integrated Annual Report, and the supplementary Sustainable Development Report (SDR). I will therefore confine my attention to the enablers of organisational effectiveness and resilience – people, systems and innovation – and further, key initiatives that underpin the group's reputation as an ethical corporate citizen.

The success of each division in implementing its strategy relies heavily on its people. Given the importance of leadership to strategic delivery, the group oversees the governance aspects of human capital management and, together with divisional leadership, manages talent and succession at the top three levels of the organisation. These functions have been devolved into the divisions for lower management levels and other positions, giving them the flexibility to respond to their unique talent needs at those levels.

Integrated, best-of-breed people practices, supported by new systems, are being implemented within each division. They will ensure more strategic people-related decisions and mitigate the associated risk, while aligning remuneration and incentives to performance and value creation targets. Employees can expect more focused learning and career development, and an environment that empowers them to give of their best, especially in delivering to customers.

Customer experience is a crucial differentiator, particularly in difficult economic conditions and with the constant threat of new, technologically advanced competitors and disintermediation within the value chains of each division. Increased digitisation through the systematic overhaul and, where appropriate, the standardisation of IT systems within the divisions is improving operational efficiency and process leadership, and the management of complex supply chains. This is enabling solutions that are more cost-effective and optimise the total value added to their customers.

The development of data and analytics capabilities, together with formalised monitoring of disruptive change in our industries, is internalising innovation at Imperial. In each of the divisions, specific business units have been tasked with developing innovative solutions and leveraging them across the rest of the businesses.

*More information on human capital management and IT is available in the divisional reviews starting on page 40.*

*Human capital management is comprehensively covered in the SDR, available online.*

# Embedding an ethical culture

The renewal of the group has created an opportunity to reinforce a groupwide culture that aligns productivity and performance with ethical practices and social consciousness, which protect its commercial and social legitimacy. This is consistent with the intent of King IV, which once again has put South Africa at the forefront of global governance best practice.

As an international group based in South Africa, and with an extensive African presence, the group operates in an increasingly poor ethical climate. Our approach is to ensure that our own house is in order, a complex task across a multinational operating base with over 49 000 employees and an extensive supply chain. More broadly, we aim to leave no room within our sphere of influence for corrupt and unethical conduct is an antidote to its proliferation.

The group operates within a clear ethics framework, aligned to its values, which includes a code of ethics and related policies, and we take a zero-tolerance approach to corruption and collusion. The group code of conduct was finalised in the year and an ethics and fraud prevention framework is being developed. Ongoing ethics training among employees and a formal process requiring senior leaders to confirm their understanding of the group's policies and their ethical conduct, provide constant reinforcement.

The group's legal compliance programme ensures compliance with the complex range of laws and regulations across the group's jurisdictions. Divisional operating boards and risk committees oversee compliance and report quarterly to the group's audit and risk committees. Legal and compliance units manage and monitor systems and controls within the divisions, and internal audits are undertaken in all operations to assess their effectiveness. Where required, external compliance assessments are undertaken.

Legislative developments are monitored on an ongoing basis and group leadership proactively engages with regulators through several industry bodies and business associations. This not only provides the opportunity to advocate for effective policies, but also to inform a common interpretation of requirements and therefore the controls needed to comply.

Within the divisions, ethical people practices including health and safety, ensuring the integrity of supply chain partners, meeting diversity and inclusion requirements, and environmental performance – all components of ethical corporate citizenship – are commercial imperatives. Clients, principals and original equipment manufacturer (OEMs), as well as other strategic partners like health ministries and donor organisations, expect high standards in these areas. Each division is making the necessary investments to not only comply, but achieve competitive advantage in this respect.

*Environmental management within each division, according to their specific impacts, and the group's social initiatives, including road safety, education and access to primary healthcare, are reviewed in full in the SDR, available online.*

## Accelerating diversity and inclusion

Diversity and inclusion is a crucial component of ethical corporate citizenship, specifically in our home base of South Africa. The board acknowledges the urgent need to improve the transformation credentials of our South African operations, particularly in the representation of black executives and senior management. We are cognisant that there are no easy solutions, particularly in a low-growth environment that curtails job growth and given the shortage of candidates with the specialised skills and experience our businesses require.

The group's approach is to go beyond compliance, to creating a culture that encourages and harnesses the benefits of diversity. A diversity programme was introduced during the year to provide leaders with a safe environment in which to have honest conversations on how to accelerate transformation effectively. Collaboration with other companies that have made substantial progress in transforming their workforces, to learn from their experiences, is also being encouraged.

Several initiatives are in place to accelerate transformation. A standardised reporting process was introduced to enable the group to report a full broad-based black economic empowerment (BBBEE) scorecard from October 2017. The scorecard will help to focus attention on the most pressing challenges, expected to be in the enterprise and supplier and socioeconomic development pillars. As the BBBEE reporting process is streamlined, the focus will be to restore the ratings of the South African businesses under the revised dti Codes to those achieved under the old scorecard.

Imperial Logistics is one of South Africa's largest employers and a leading logistics provider across the entire value chain. The process of introducing a direct 30% BBBEE and black women-owned shareholding into the business is underway, which will increase the effective black ownership of Imperial Logistics South Africa to over 50%. In Motus, joint ventures with BBBEE partners are being sought to strengthen its competitiveness, and a strategic BBBEE partner for the newly established fleet business is being secured.

The talent programmes in our South African businesses are designed to accelerate the progress of black candidates into senior roles. Black representation at senior and middle management level are incorporated into executive incentives, overseen by the remuneration committee. Going forward, incentives will be based on divisional BBBEE scorecards. Furthermore, the enterprise development and preferential procurement activities of the divisions aim to achieve meaningful participation of black South Africans in their supply chains.

In our European operations, where gender requirements are in effect, initiatives to increase the number of women in senior positions are in place.

## Board matters

Our ability to maintain exemplary governance standards and legitimacy among stakeholders is upheld through the leadership of an experienced board, with a balance of the relevant professional, functional and industry expertise.

In the year, the board assessed its effectiveness by questionnaire, administered by an independent third party. Gender representation was cited as requiring attention, which led to a formal board diversity policy being adopted. A voluntary target was set to increase female representation by at least one member, and preference will be given to a female director when the next vacancy arises.

The board conducted a King IV readiness assessment, which showed that the group already materially applies its principles. Practices that are not formally or fully applied, together with additional disclosure requirements, are being implemented. These included reconstituting the risk committee and social, ethics and sustainability committee to comprise a majority of non-executive directors. Also, an additional non-executive director has been elected to the assets and liabilities committee and an independent non-executive chairman appointed for that committee. The terms of reference of the social, ethics and sustainability committee have also been aligned to the recommendations of King IV, and were approved by the board.

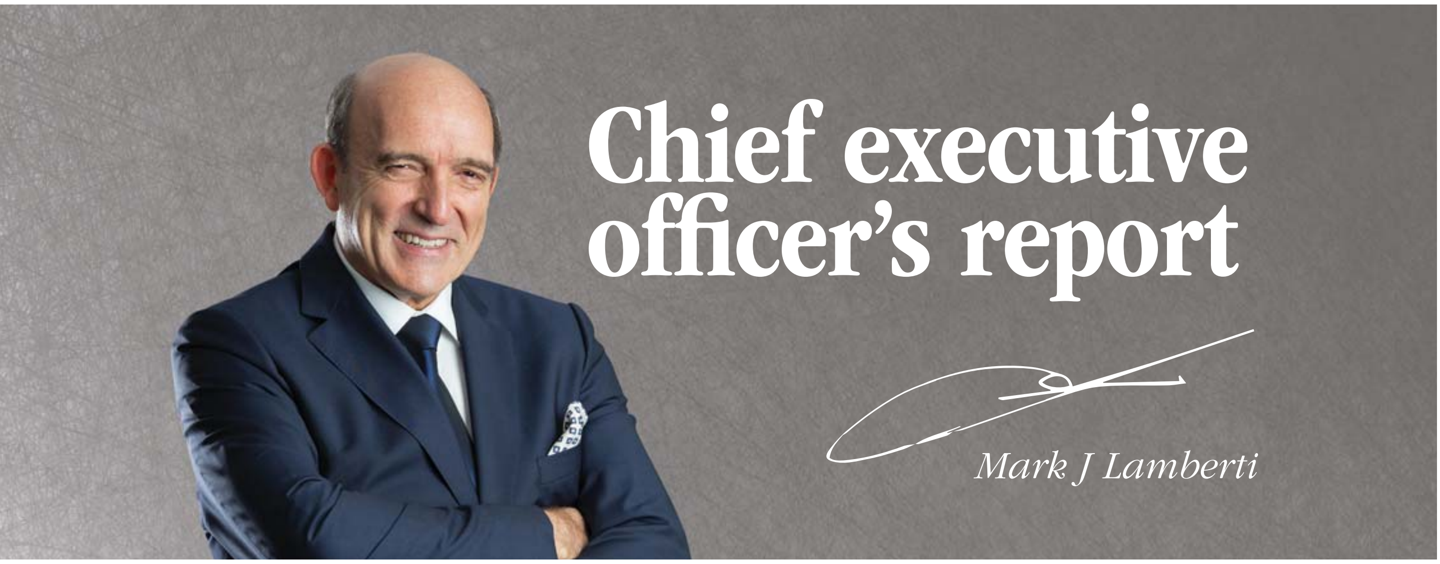
The restructuring of the group executive as part of the leadership refresh included Osman Arbee resigning as group chief financial officer, with effect from 1 March 2017, to take up the position of chief executive officer at Motus. Osman remains a member of the board. Mohammed Akoojee succeeded Osman as group chief financial officer, and was consequently appointed to the board from 1 March 2017. In line with changes in his executive responsibilities at Motus, Philip Michaux resigned from the board on 21 August 2017, and Manny de Canha will resign from the board on 31 October 2017 and will retire on 31 January 2018.

Roboijane (Moses) Kgosana resigned from the board with effect from 8 September 2017.

*The directors of the Imperial Holdings board are set out on page 36, and of the divisional operating boards in the respective divisional reviews, starting on page 40.*

## Appreciation

I extend my appreciation to all our stakeholders for their loyalty and support during a year of substantial change. I am particularly indebted to my fellow board members for their foresight and counsel as we set the foundations for a sustainable Imperial.




# Chief executive officer's report

*Mark J Lamberti*

> *"The rationalisation of the portfolio and the clarification of strategy enabled the simplification of the structures and management of Imperial and the removal of complexity, duplication and cost."*

## Introduction

It was a very good year.

Despite a deteriorating **environment,** currency volatility and an ambitious restructuring programme, Imperial achieved all of the strategic, operational and **financial objectives** announced at the start of the financial year.

Concurrently, following three years of multi-faceted intervention to eliminate the dysfunctional attributes of conglomerate complexity and unfettered entrepreneurial zeal, we sharpened our vision of **strategic clarity**, **organisation simplicity** and **disciplined capital management**.

With each of these now well established as a pillar of value creation, Imperial is well poised to produce **sustainable and improving returns for shareholders**.

## Environment

Imperial's activities on the African continent produced 67% and 76% respectively of group revenues and operating profits in the financial year, with the balance generated mainly in Europe and the United Kingdom.

### SOUTH AFRICA

Through the course of the year, there was a marked deterioration of the environment in South Africa, where R67,0 billion or 57% of group revenue and R3,8 billion or 63% of group operating profit was generated.

We can no longer euphemise about the socio-political and economic state of South Africa. With official unemployment now 27,7% – substantially higher among 15 to 34 year olds – there is no imperative greater than job creating inclusive growth. Instead, we have a ruling party more concerned with succession, survival and patronage than citizens' interests, and government delivery constrained by poor policy, incompetence and corruption.

More seriously, the capture of government institutions and political leaders by private criminal interests is threatening South Africa's democracy, sovereignty and credibility as an investment destination. Despite extensive revelation of its extent, "State Capture" is unchecked by law enforcement and prosecuting authorities, themselves tamed to protect the personal interests of a minority of flawed leaders and their allies who propagate racial, anti-business rhetoric to divert attention from their misappropriation of resources from the most needy.

With consumer and business confidence depressed by these developments, the South African economy entered technical recession in the first quarter of 2017 with GDP growth of -0,7%. The cabinet reshuffle on the 30 March triggered sovereign downgrades by S&P, Fitch and Moody's, thereby reducing the 2017 GDP growth forecasts of most analysts and the IMF to below 1%. Positive emerging market sentiment and a gradual weakening of the US Dollar resulted in the R/US$ exchange rate strengthening by 11% during the year.

The impact of these uncontrollable factors on Imperial was lower revenues arising from a reduction in logistics volumes and a 7% decline in national vehicle sales, and pressure on margins amidst increased competition. The strengthening of the Rand by 11% against the US Dollar and by 9% against the Euro with intermittent short-term volatility, created high foreign exchange losses on various monetary items including working capital, intergroup loan funding and hedging instruments.

### REST OF AFRICA

Our operations in sub-Saharan Africa generated R11,2 billion or 10% of group revenue and R792 million or 13% of group operating profit in generally subdued conditions.

Specific factors affecting Imperial in certain African countries during the 2017 financial year were slowing GDP growth rates; rising inflation and interest costs; lower consumer demand; and currency volatility, specifically the weakening of the Naira during the year which created foreign exchange losses on monetary items, including working capital and intergroup loan funding. The Naira parallel rate strengthened materially late in the second half of the 2017 financial year and access to foreign currency improved.

## Financial highlights

The advanced stages of Imperial's groupwide restructuring required the restatement of certain 2016 financial metrics, on which the following highlights are based.

*Detailed financial commentary is contained in the CFO's report.*

RECORD REVENUE OF
**R119,5 billion**
UP 1%
(43% FOREIGN)

RECORD OPERATING PROFIT OF
**R6,5 billion**
UP 2%
(37% FOREIGN)

HEPS DOWN 10% TO
**1 390 cents per share**

EPS DOWN 14% TO
**1 339 cents per share**

In addition to Africa's everyday operational challenges, these conditions demanded increased vigilance in the control and management of trading, treasury, currency and accounting, with a focus on reducing capital employed in all businesses.

### EUROZONE

Our operations in the Eurozone generated R38,7 billion or 33% of group revenue and R1,4 billion or 24% of group operating profit.

Buoyed by a solid German economy and the results of the French presidential election, consumer confidence in the European Union rose to its highest level since before the GFC. The snap election in the United Kingdom produced the opposite result to that intended, weakening the Conservative Party, the Pound and the Prime Minister's hand in negotiating a "hard Brexit".

Specific factors affecting Imperial during the year were 80-year low water levels on the Rhine, and lower demand and pricing pressures in the steel, energy, commodities and construction sectors. The strengthening Rand depressed the translation value of our foreign operations.

## Strategic clarity

Groups do not compete, only subsidiaries do.

Since late 2014, we have directed our efforts as a holding company to enhancing the sustainable competitive position of our subsidiaries. This entailed two major initiatives: an aggressive disposal and acquisition programme to agglomerate a portfolio of companies whose sectoral focus and common operating capabilities would ensure the creation of intragroup value for stakeholders; and simultaneously, the definition of the value proposition that each client facing company would require to compete and win in its chosen markets.

The first of these initiatives has to date resulted in the disposal of 42 businesses and 52 properties that were under performing, of low return on effort or strategically incompatible. These disposals generated revenues of R11,2 billion and operating profit of R982 million, and employed R4,2 billion of capital at the time of sale. The concurrent acquisition programme entailed the investment of R5,4 billion to acquire 15 companies that generated revenue of R13,7 billion and operating profit of R880 million in their first full year of operation.

The second initiative involved divisional and company leaders more accurately defining their market, product and customer focus, and thereafter configuring those capabilities necessary to render competitive advantage, growth and returns.

Although further portfolio and competitive strategy refinements are inevitable, the efforts of recent years have irrevocably altered the fundamental trajectory and future of the Imperial Group, which is now operating exclusively in two strategically unrelated sectors: **logistics** and **vehicles**.

### LOGISTICS

In logistics, we are active mainly in Africa and Europe with established capabilities in transportation, warehousing and distribution management. Our expertise and experience in each of these enable us to provide integrated supply chain and route-to-market solutions to global and national market leaders. We focus across the value chains of consumer packaged goods, chemicals, healthcare and automotive as well as within specialised sectors of mining, manufacturing and agriculture.

In response to heightened customer expectations, new market entrants and disruptive business models, we are embracing relevant information, digital, positioning, and automation technologies across value chains and sectors, to increase transactional and operational efficiency, productivity and client value.

We will grow revenues, profits and returns by increasing principals, products and markets within and adjacent to our spheres of competence. We will acquire less capital-intensive higher return businesses with strong revenue growth potential. We will grow organically through a deep understanding and penetration of our chosen sectors, carefully staged integration and collaboration, and the development and deployment of executive talent. Our strong market presence in South Africa, although only 33% of our logistics business, favours foreign capital deployment and acquisitive growth.

### VEHICLES

Our vehicle business, 76% of which is in South Africa, operates across the value chain importing, distributing, retailing and renting vehicles and aftermarket parts, supported and augmented by motor related financial services. In response to seminal changes in vehicle technologies and in the way people and companies use, purchase and own vehicles, we see innovation, digitisation and collaboration across the supply chain as the foundations of efficiency, customer value and retention.

We will secure growth and returns through deep direct relationships with leading original equipment manufacturers, optimal distribution techniques, creative marketing, new dealership and client interface models, shared support facilities and loyalty engendering financial services. We will continually enhance our asset portfolio by disposing of or rationalising underperforming businesses dealerships and brands, and by acquiring and rapidly integrating like businesses and assets that can be enhanced by Motus's capabilities and resources. Resulting from our leading market shares in South Africa, and the largely unregulated pre-owned vehicle imports into sub-Saharan Africa, acquisitive growth will be beyond the continent. We will seek greater alignment with our customer base in South Africa by investing in the development of previously disadvantaged managers and entrepreneurs in our vehicle distribution, rental, retailing and aftermarket parts franchising businesses.

CORE EPS DOWN 5%
TO **1 626 cents per share**

CASH GENERATED BY OPERATIONS UP 11%
TO **R9,1 billion**

FREE CASH CONVERSION RATIO
OF **1,6 times**
(0,9 TIMES IN 2016)

NET DEBT TO EQUITY RATIO IMPROVED FROM
**73% to 71%**
(98% IN DECEMBER 2016)

RETURN ON EQUITY
**12,7%**

RETURN ON INVESTED CAPITAL
**12,4%**

WEIGHTED AVERAGE COST OF CAPITAL
**9,0%**

FULL YEAR DIVIDEND DOWN 18% TO
**650 cents per share**

## Organisation simplicity

The rationalisation of the portfolio and the clarification of strategy enabled the simplification of the structures and management of Imperial and the removal of complexity, duplication and cost.

This has now culminated in the assembly and consolidation of Imperial's entire logistics and vehicle operating companies and assets within two increasingly self-sufficient divisions each under one board, chief executive officer and executive committee. By year-end, **Imperial Logistics** (with sub-divisions South Africa, African Regions, and International) and **Motus** (with sub-divisions Import and Distribution, Retail and Rental, Aftermarket Parts, and Financial Services), were separately established and reported on as Imperial's only operating entities.

Numerous executive management changes were required to accommodate the new structure and the succession of retiring executives. During the course of the year, 23 of the 35 most senior executives in the group assumed new roles.

In order to strengthen further the independence and focus of the divisions, certain functions and services currently provided by the small Imperial Holdings office will devolve to divisional level. On 1 July 2017, the group executive committee was disbanded and its authorities devolved to the divisional boards.

Pursuant to more efficient capital and funding structures in each division, substantial progress was made with the divisionalisation of companies, the rationalisation of legal entities and the simplification, separation and alignment of Imperial's local and international financial structures.

## Capital management

Neither external nor internal developments have caused us to review our comprehensive investment thesis (detailed elsewhere in this report) or our investment criteria. Having met its strategic objective, every investment in an acquisition, organic growth or asset renewal must produce a return on invested capital in excess of the weighted average cost of capital. Towards the end of the financial year, we refined our ROIC targets and WACC calculations per jurisdiction.

The new structures have facilitated a far more granular analysis of returns of our existing businesses by trading entity, facility, outlet, product or customer in both divisions, prompting numerous decisions to rectify or exit low return situations.

We have heightened our emphasis on working capital management as evidenced by the reduction of debt to equity from 98% at mid-year to 71%, well within our targeted 60% to 80% range.

The historic structure and management of Imperial relied on the high cash generation of the vehicle divisions to fund partially the acquisitive growth of what became over geared logistics sub-divisions. This situation was neither sustainable nor reflective of the performance of the businesses and we are committed to each division achieving appropriately geared independent and self-sustaining balance sheets by June 2018.

## Unlocking value

Although continued evolution is inevitable, the efforts of recent years have irrevocably altered the fundamental trajectory and future of the Imperial group. The far-reaching changes to the portfolio, strategy, structure and management have enhanced executive focus, capital allocation, intra-divisional collaboration and the elimination of complexity, duplication and cost. These developments, as intended, will create value in the short term by increasing penetration and performance in our chosen supply chains, through better co-ordinated and competitive value propositions to clients.

Today Imperial Holdings is exclusively the owner of Imperial Logistics and Motus. Both of these function as large independent multinational operating divisions, each comparable in every way to the governance, executive, operating, control and reporting standards of major public companies. Although there are no operational synergies between them, both are reliant on Imperial Holdings as the provider of debt and equity and the custodian of strategy, succession and governance. As the entry point for providers of capital, Imperial Holdings will strive to enhance understanding and insight through sensible communication and disclosure.

The obvious question is now whether the separate listing of Imperial Logistics and Motus will unlock value. Work is in process to determine the viability and benefit to Imperial shareholders of doing so and the board will make an announcement on this decision before the end of the current financial year.

## Prospects

Against the backdrop of economic recovery in most developed and emerging economies, South Africa's socio-political and economic outlook is fragile. In the near term, politics will divert party leadership and the government from national priorities, and further sovereign downgrades are possible.

Internationally, geopolitics and central banks could dampen growth and influence capital flows. The impact of this unpredictable environment on sentiment, economic activity and the volatility of the Rand, is unlikely to assist the fortunes of Imperial.

Despite this, we anticipate solid operating and financial results in the year to June 2018, subject to stable currencies in the economies in which we operate and South Africa retaining its investment grade. We expect:

> The self-sufficiency and effectiveness of both divisions to be further entrenched with balance sheet efficiency and independence a priority.
> Logistics and Motus to grow revenues and operating profit from continuing operations.
> Imperial Holdings' continuing operations to increase revenues and operating profit with a double-digit growth in headline earnings per share, stronger in the second half.

## Appreciation

My gratitude is due to my 49 364 colleagues throughout Imperial whose resilience in dealing with difficult external circumstances has been tested by the unprecedented rate of internal change. The multifaceted restructuring of Imperial over the past three years was among the most complex and ambitious in South African business.

A particular thanks to my co-directors, executive committee colleagues and fellow managers at all levels of the organisation. These are not easy times in which to lead.

Finally, I thank our owners and funders for their support. We will continue to execute on our espoused strategies.

# Chief financial officer's report

*Mohammed Akoojee*

## *Solid results, in line with expectations, reflect continued progress with Imperial's strategic, capital, operational, organisational and managerial restructuring, despite challenging trading conditions.*

My appointment as Chief Financial Officer of Imperial was effective 1 March 2017. During the financial year, despite challenging trading conditions, particularly currency volatility, the group achieved results that were in line with its previous market guidance, with balance sheet management and cash generation ahead of expectations.

As the provider of debt and equity to its two divisions, Imperial Logistics and Motus, the group's key priority is optimal capital management. Recent strategic acquisitions and a delay in the receipt of proceeds from disposals resulted in Imperial's net debt to equity ratio spiking to 98% at December 2016. Following tighter capital management in the second half, receipt of proceeds from disposals, lower capital expenditure and excellent working capital management, debt levels had reduced by year-end. Our current net debt to equity ratio of 71% is well within our internal targeted range of 60% to 80%. The group's liquidity position is also strong with R12,4 billion of unutilised banking facilities, excluding asset backed finance facilities. Sixty nine percent of group debt is long-term in nature (longer than 12 months) and 55% of the debt is at variable rates. The group's international scale creditrating by Moody's is at Baa3, negative outlook (in response to SA's downgrade) and the national scale rating was upgraded recently to Aa1.za.

The group proactively monitors key debt, working capital and invested capital metrics through monthly divisional dashboards to meet internally and externally imposed benchmarks and optimise our returns and cost of capital. The divisional allocation of equity and debt is reviewed and the appropriate WACC determined to evaluate investments and measure performance on a risk-adjusted basis applicable to various businesses and jurisdictions. We are confident that we have well-functioning governance structures and clearly defined policies in place to ensure optimal capital management going forward, through sourcing of funding at competitive rates and allocating capital appropriately to fund divisional growth strategies, which deliver sustainable returns to shareholders.

Another priority is the effective management of foreign exchange volatility. Despite our efforts, the group recorded a foreign exchange loss of R619 million during the year. This related mainly to the unwinding of uneconomical and excessive forward cover in Motus (mainly Renault) and mark-to-market of monetary items in Logistics African Regions due to the significant devaluation of the Naira and Metical. The magnitude of the foreign exchange loss provoked a review of the group's foreign exchange controls and policies. Although the policies remain appropriate, oversight of their application has been strengthened and centralised.

During the year, the group restructured its external financial reporting of segmental information, which clearly outlines all the key metrics of financial performance for Imperial Logistics and Motus separately, and enables stakeholders to evaluate the performance of each division more accurately. The new disclosure format is fully reflected in the 2017 financial results.

## Group financial highlights

CASH GENERATED BY OPERATIONS UP 11% TO **R9,1 billion**

FREE CASH CONVERSION RATIO OF **1,6 times** (0,9 TIMES IN 2016)

NET DEBT TO EQUITY RATIO IMPROVED FROM **73% to 71%**

ROE **12,7%**

ROIC **12,4%**

WACC **9,0%**

FULL YEAR DIVIDEND DOWN **18% to 650 cents per share**

## Results overview

| | Total 2017 | Continuing 2017 | Discontinued 2017 | Restated[1] Total 2016 | Restated[1] Continuing 2016 | Restated[1] Discontinued 2016 | Total % change | Continuing % change |
|---|---|---|---|---|---|---|---|---|
| Revenue (Rm) | 119 517 | 116 839 | 2 678 | 118 849 | 115 800 | 3 049 | 1 | 1 |
| Operating profit (Rm) | 6 538 | 6 049 | 489 | 6 382 | 5 948 | 434 | 2 | 2 |
| Operating margin (%) | 5,5 | 5,2 | 18,3 | 5,4 | 5,1 | 14,2 | | |
| Net finance costs (Rm) | (1 680) | (1 680) | | (1 440) | (1 440) | | 17 | 17 |
| Income from associates (Rm) | 103 | 103 | | 138 | 138 | | (25) | (25) |
| Forex losses (Rm) | (619) | (619) | | (72) | (72) | | | |
| Profit before tax (Rm) | 3 625 | 3 187 | 438 | 4 402 | 3 984 | 418 | (18) | (20) |
| Tax (Rm) | (1 060) | (901) | (159) | (1 221) | (1 054) | (167) | (13) | (14) |
| Net profit after tax (Rm) | 2 565 | 2 286 | 279 | 3 181 | 2 930 | 251 | (19) | (22) |
| Attributable to non-controlling interests (Rm) | 36 | 87 | (51) | (184) | (128) | (56) | (119) | (168) |
| Attributable to shareholders of Imperial (Rm) | 2 601 | 2 373 | 228 | 2 997 | 2 802 | 195 | (13) | (15) |
| Effective tax rate (%) | 30,1 | 29,2 | | 28,6 | 27,4 | | | |
| ROIC (%) | 12,4 | | | 12,8 | | | | |
| WACC* (%) | 9,0 | | | 9,5* | | | | |

*Note: ROIC is calculated based on taxed operating profit plus income from associates divided by the 12 month average invested capital (total equity and net interest bearing borrowings).*

* *Restated to new calculation method. WACC for each sub-division of the group is calculated by making appropriate country/regional risk adjustments for the cost of equity and pricing for the cost of debt depending on jurisdiction. The group WACC calculation is a weighted average of the respective sub-divisional WACCs.*

1. *Restated 2016 to include Regent VAPS business.*

Total group revenue and operating profit grew by 1% to R119,5 billion and by 2% to R6,5 billion respectively. Excluding acquisitions and disposals in the current and prior year, revenue remained flat and operating profit declined by 1%.

The group profit before tax declined by 18% due to:

> Foreign exchange losses of R619 million compared to R72 million in the prior year, which resulted from:
  - The unwinding of uneconomical and excessive forward cover in Motus, mainly Renault, as referred to earlier, previously reported in the statement of comprehensive income at 31 December 2016; and
  - Mark-to-market valuation of monetary items in Logistics African Regions, mainly due to the devaluation of the Naira (41% devaluation on average for the period) and Metical (37% devaluation on average for the period). This was largely offset by price increases, which led to higher operating margins in Ecohealth in Nigeria.

> Increased finance costs from higher costs of funding and higher average debt levels during the year, which resulted from increased working capital (on average) during the year and acquisitions. This was exacerbated by delays in the receipt of proceeds from properties and businesses held for sale.

> Income from associates and joint ventures decreased by R35 million on the prior year mainly as a result of the sale of Mix Telematics.

> Loss on sale of subsidiaries amounting to R151 million compared to the prior year profit on sale of subsidiaries of R430 million.

The above factors were offset by:

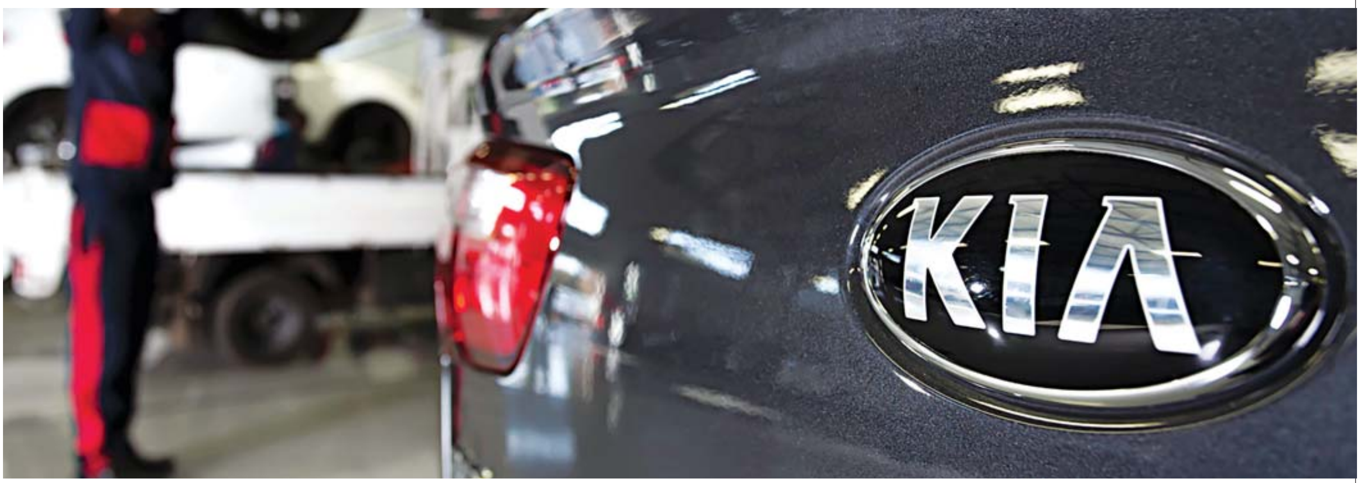
> The profit on sale of properties (net of impairments) of R212 million (2016: R28 million).

> Impairment of goodwill, investment in associates and joint ventures and other assets amounting to R209 million (2016: R367 million).

> The non-recurring impairment of intangibles amounting to R151 million in 2016.

The effective tax rate for the group is 30,1%, up from 28,6% in the prior year as a result of the reversal of over provisions in 2016. No additional deferred tax asset was recognised on the losses incurred in Renault and this was largely offset by the deferred tax asset raised in Imperial Cold Logistics.

Losses recorded by underperforming subsidiaries, mainly Renault, contributed to a loss attributable to non-controlling shareholders. Furthermore, the profit share of the non-controlling shareholders reduced compared to the prior year due to the purchase of the non-controlling shareholders' interest in Associated Motor Holdings and AAAS (previously Midas), and the sale of the Goscor group in the second half of 2016 which had a 32,5% non-controlling shareholder.



RECONCILIATION FROM EARNINGS TO HEADLINE AND CORE EARNINGS:

| R million | Notes | June 2017 | Restated[1] June 2016 | % change |
|---|---|---|---|---|
| **Net profit attributable to Imperial shareholders (earnings)** | | **2 601** | 2 997 | (13) |
| Profit on disposal of assets | | **(320)** | (98) | |
| Impairments of goodwill and other assets | | **185** | 437 | |
| Loss/(profit) on sale of businesses | | **151** | (431) | |
| Impairment and re-measurement of investment in associates and joint ventures | | **34** | 92 | |
| Reclassification of gain on disposal of investment in associate | | **(8)** | | |
| Tax and non-controlling interests (NCI) | | **57** | (3) | |
| **Headline earnings** | | **2 700** | 2 994 | (10) |
| Amortisation of intangible assets arising from business combinations | | **521** | 437 | |
| Foreign exchange gain on intergroup monetary items | | | (92) | |
| Re-measurement of contingent consideration, put option liabilities and business acquisition costs | | **109** | 117 | |
| Tax and NCI | | **(171)** | (139) | |
| **Core earnings** | | **3 159** | 3 317 | (5) |

EARNINGS, HEADLINE EARNINGS AND CORE EARNINGS PER SHARE

| | | | | Restated[1] | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Group Total 2017 | Continuing 2017 | Dis-continued 2017 | Group Total 2016 | Continuing 2016 | Dis-continued 2016 | Group Total % change | Continuing % change | Dis-continued % change |
| Basic EPS (cents) | **1 339** | **1 221** | **118** | 1 554 | 1 453 | 101 | (14) | (16) | 17 |
| Basic HEPS (cents) | **1 390** | **1 240** | **150** | 1 552 | 1 451 | 101 | (10) | (14) | 48 |
| Basic Core EPS (cents) | **1 626** | **1 480** | **146** | 1 720 | 1 617 | 103 | (5) | (8) | 42 |

# Financial position overview

| R million | June 2017 | Restated[1] June 2016 | % change |
|---|---|---|---|
| Goodwill and intangible assets | **9 529** | 7 501 | 27 |
| Property, plant and equipment | **10 371** | 11 602 | (11) |
| Investment in associates and joint ventures | **1 002** | 993 | 1 |
| Transport fleet | **5 560** | 5 953 | (7) |
| Vehicles for hire | **3 963** | 3 469 | 14 |
| Investments and loans | **805** | 404 | 99 |
| Net working capital | **8 956** | 9 804 | (9) |
| Other assets | **1 839** | 1 871 | (2) |
| Assets held for sale | **979** | 6 287 | (84) |
| Net debt | **(14 647)** | (16 075) | (9) |
| Non-redeemable, non-participating preference shares | **(441)** | (441) | |
| Other liabilities | **(7 655)** | (8 576) | (11) |
| Liabilities directly associated with assets held for sale | | (3 017) | |
| **Total shareholders' equity** | **20 261** | 19 775 | 2 |
| **Total assets** | **68 853** | 69 835 | (1) |
| **Total liabilities** | **(48 592)** | (50 060) | (3) |

*1. Restated 2016 to include Regent VAPS business.*

**Cash generated by operations after working capital movements, interest charge and tax payments was R5,9 billion (2016: R4,8 billion), up 23%. Net working capital improved due to excellent working capital management in the second half.**

Property, plant and equipment decreased by R1,2 billion to R10,4 billion primarily from the disposal of properties and the reclassification of properties to held for sale assets during the year.

The transport fleet decreased by 7% or R393 million as the net investment in trucks and barges of R366 million and net acquisitions of R249 million was reduced by currency adjustments of R334 million resulting from a stronger Rand and depreciation of R674 million.

Vehicles for hire increased by R494 million resulting from vehicle price increases, a higher fleet in the car rental business at year-end and increased sales to car rental companies by vehicle importers.

Net working capital improved to R9,0 billion from R9,8 billion in the prior year as a result of an increase in trade payables of R1,7 billion, partially offset by the increase in both trade receivables and inventory of R636 million and R236 million respectively. Net working capital turn improved from 12,5 to 12,7 times compared to the prior year.

Investment and loans increased by 99% due to the additional investments for the new cell captive arrangements with Regent for the VAPS business, and the loans receivable from the sale of Jurgens during the year.

Assets held for sale mainly includes non-strategic properties that have been identified for sale. The sale of Regent, non-strategic properties disposed in F 2017, Imperial Express, LTS Kenzam and Global Holdings, which were classified as held for sale in 2016, have been concluded.

Total assets decreased by 1% to R68,9 billion due mainly to the disposal of Regent, businesses held for sale, property disposals and currency adjustments, which were offset by acquisitions.

The net debt level is within the target gearing range of 60% to 80%. The net debt to total earnings before interest tax depreciation and amortisation (EBITDA) ratio of 1,7 times is in line with the prior year.

In addition to attributable profits, shareholders' equity was impacted by:

- The strengthening of the Rand, which resulted in a loss in the foreign currency translation reserve of R659 million.
- An increase in the hedging reserve of R159 million as a result of the favourable forward cover position of Motus relative to the Rand exchange rate at 30 June 2017.

## MOVEMENT IN SHAREHOLDERS' EQUITY

| R million | 2017 |
|---|---|
| Net profit attributable to Imperial shareholders | 2 601 |
| Net profit attributable to non-controlling interests | (36) |
| Decrease in the foreign currency translation reserve | (659) |
| Increase in the hedge accounting reserve | 159 |
| Remeasurement of defined benefit obligations | 116 |
| Movement in share based reserve | (72) |
| Dividends paid | (1 688) |
| Non-controlling interests: | |
| Palletways (share issue) | 147 |
| Midas (NCI buy out) | (36) |
| Imres (NCI buy out) (including remeasurement of put option) | (52) |
| Itumele (new acquisition) | 118 |
| Disposal of NCI share in Regent cell captives | (122) |
| Other movements | 10 |
| **Total change** | **486** |

## Cash flow overview

| R million | June 2017 | Restated June 2016 |
|---|---|---|
| Cash generated by operations before movements in working capital | 8 388 | 8 931 |
| Movements in net working capital* | 688 | (788) |
| **Cash generated after working capital movements** | 9 076 | 8 143 |
| Interest paid | (1 670) | (1 461) |
| Tax paid | (1 520) | (1 910) |
| **Cash generated by operations before capital expenditure on rental assets** | 5 886 | 4 772 |
| Capital expenditure on rental assets | (1 709) | (1 611) |
| **Cash flows from operating activities** | 4 177 | 3 1961 |
| Net (acquisitions)/disposals of subsidiaries and businesses | (1 687) | 760 |
| Capital expenditure (non-rental assets) | (954) | (2 527) |
| Equities, investments and loans | 702 | 179 |
| Dividends paid | (1 688) | (1 909) |
| Other | (113) | (1 321) |
| **Decrease/(increase) in net debt*** | 437 | (1 657) |
| **Free cash flow** | 4 296 | 2 536 |
| **Free cash flow to headline earnings (times)** | 1,59 | 0,85 |

* *Excludes currency movements and net acquisitions.*

Cash generated by operations after working capital movements, interest charge and tax payments was R5,9 billion (2016: R4,8 billion), up 23%. Net working capital improved due to excellent working capital management in the second half.

Capex reduced from R4,1 billion to R2,7 billion, down 36%. Capex in the prior year included the bulk of the contributions towards the chemical manufacturing plant and the additional convoys in South America. The current year capex was also reduced by the proceeds from the property disposals of R884 million.

The main contributors to the net outflow of R1,7 billion relating to acquisitions and disposals was the acquisition of Palletways (R1,7 billion) offset by R1,8 billion (less cash lost of R1,9 billion) proceeds from the sale of Regent.

Inflows from equities, investments and loans amounted to R702 million, resulting mainly from the sale of Mix Telematics.

Dividends amounting to R1,7 billion were paid during the year.

Other significant cash flow items included share buy backs amounting to R558 million, a higher outflow from a change in minorities and settlement of cross-currency swaps in the prior year which did not recur in F 2017.

# Funding

| R million | June 2017 | June 2016 |
|---|---|---|
| Gross debt (ex. preference shares) | 19 146 | 18 396 |
| Cash resources | (4 499) | (2 321) |
| **Net debt before cash held for sale** | **14 647** | 16 075 |
| *Less:* cash held for sale | | (1 352) |
| **Net debt** | **14 647** | 14 723 |
| Net debt to equity (preference shares included as equity) (%) | 71 | 73 |
| Net debt to equity (preference shares included as debt) (%) | 74 | 77 |

Despite the acquisition of Palletways (R3,0 billion including take-on debt on effective date), the net debt to equity ratio (including preference shares as equity) reduced to 71% from 73% (98% at December 2016) supported by proceeds from the sale of Regent and non-strategic properties, an improvement in working capital and a reduction in capital expenditure. Year-on-year currency effects reduced debt by R1 billion.

# ROIC and WACC

| Group | June 2017 % | June 2016 % |
|---|---|---|
| ROIC | 12,4 | 12,8 |
| WACC | 9,0 | 9,5 |
| **Excess** | **3,4** | 3,3 |

| ROIC and WACC by division | Logistics % | Motus % |
|---|---|---|
| ROIC | 11,5 | 11,8 |
| WACC | 7,1 | 10,1 |
| **Excess** | **4,4** | 1,7 |

Imperial achieved a ROIC of 12,4% versus a WACC of 9,0% for the year to June 2017.

The group's role is to ensure that capital is allocated appropriately to the divisions in a manner that enables their competitiveness, and delivers sustainable returns over appropriate WACC levels. Our appropriate return target for our businesses, including acquisitions, is ROIC > regional WACC + an appropriate hurdle rate.

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

# Final ordinary dividend

A final cash dividend of 330 cents per ordinary share (2016: 425 cents per share) has been declared, bringing the full-year dividend to 650 cents per ordinary share (2016: 795 cents per share). The 18% decline in the dividend exceeds the 10% decline in HEPS as a result of a stepped reduction in the pay-out ratio (previously based on core HEPS) towards a targeted 45% of HEPS, subject to circumstances.

# Conclusion

The 2017 financial year has ended pleasingly with the key financial objectives met and an appropriate capital structure and balance sheet largely in place. This was achieved notwithstanding extensive corporate activity. We disposed of 33 properties that realised R900 million and 11 businesses that generated total annual revenue of R4,9 billion and operating profit of R634 million. Acquisitions to the value of R1,8 billion were concluded.

While analysis of the strategic and financial performance of businesses will result in continual refinements to the portfolio of Imperial Logistics and Motus in future, the bulk of identified disposals have been concluded, with planned disposals now mainly for non-strategic properties.

A key financial objective of the current financial year is to eliminate the financial interdependence of Imperial Logistics and Motus by introducing sustainable capital and balance sheet structures. An equally important objective is to maintain an investment grade credit rating (international scale) to facilitate access to debt capital at the lowest cost as a foundation of appropriate risk-adjusted returns to shareholders.

We expect improved performance in all key financial metrics in the next financial year.

# Five-year review

| | Financial definitions | 2017 Rm | 2016* Rm | 2015* Rm | 2014 Rm | 2013 Rm | 2012 Rm |
|---|---|---|---|---|---|---|---|
| **Extracts from statement of profit or loss** | | | | | | | |
| Revenue | | **119 517** | 118 849 | 110 487 | 103 567 | 92 382 | 80 830 |
| Operating profit | | **6 538** | 6 382 | 6 235 | 6 185 | 6 090 | 5 638 |
| Net financing costs | | **(1 680)** | (1 440) | (1 194) | (926) | (744) | (681) |
| Share of result of associates and joint ventures | | **103** | 138 | 32 | 76 | 86 | 46 |
| Income tax expense | | **(1 060)** | (1 221) | (1 213) | (1 330) | (1 405) | (1 382) |
| Tax rate (%) | | **30,1** | 28,6 | 26,6 | 27,2 | 28,1 | 29,3 |
| Net (loss)/profit attributable to NCI | | **(36)** | 184 | 332 | 355 | 392 | 408 |
| Headline earnings | | **2 700** | 2 994 | 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)* | | **9 076** | 8 143 | 9 058 | 5 973 | 7 191 | 7 440 |
| Cash flow from investing activities (including capital expenditure on rental assets) | | **(3 648)** | (3 199) | (6 482) | (2 927) | (4 708) | (4 230) |
| Net debt (raised)/repaid* | | **437** | (1 657) | (1 902) | (1 972) | (2 250) | (625) |
| Free cash flow* | 1 | **4 296** | 2 536 | 4 573 | 2 138 | 3 658 | 3 770 |
| **Extracts from statement of financial position** | | | | | | | |
| Total assets | | **68 853** | 69 835 | 65 712 | 59 021 | 51 716 | 45 698 |
| Operating assets | 2 | **61 025** | 58 783 | 56 944 | 55 968 | 48 443 | 41 575 |
| Operating liabilities* | 3 | **26 000** | 24 777 | 23 774 | 22 802 | 21 174 | 18 046 |
| Net working capital* | 4 | **8 956** | 9 804 | 9 267 | 8 033 | 5 694 | 4 606 |
| Net interest-bearing debt* | 5 | **15 088** | 15 164 | 13 482 | 11 882 | 9 165 | 6 642 |
| Imperial owners' interest | | **20 742** | 20 173 | 18 868 | 17 540 | 16 241 | 14 666 |
| NCI | | **667** | 909 | 1 838 | 1 569 | 1 295 | 1 223 |
| Contingent liabilities | | **649** | 770 | 405 | 317 | 294 | 46 |
| **Ratios** | | | | | | | |
| **Efficiency** | | | | | | | |
| Revenue to average net operating assets (times) | 6 | **3,5** | 3,5 | 3,3 | 3,4 | 3,6 | 3,9 |
| Revenue relating to sales of goods to average inventory (times) | 7 | **4,0** | 4,4 | 4,5 | 4,8 | 4,7 | 4,5 |
| Revenue to average net working capital (times) | | **12,7** | 12,5 | 12,8 | 15,1 | 17,9 | 20,6 |
| **Profitability** | | | | | | | |
| Operating profit to average net operating assets (%) | 8 | **18,9** | 19,0 | 18,8 | 20,5 | 24,0 | 26,9 |
| Operating profit to average gross operating assets (%) | | **10,9** | 11,0 | 11,0 | 11,8 | 13,5 | 15,2 |
| Operating margin (%) | 9 | **5,5** | 5,4 | 5,6 | 6,0 | 6,6 | 7,0 |
| Return on average shareholders' interest (%) | 10 | **12,7** | 15,4 | 16,8 | 19,4 | 21,3 | 22,4 |
| ROIC (%)** | 11 | **12,4** | 12,8 | 13,1 | 14,7 | 17,2 | 18,0 |
| WACC (%)** | 12 | **9,0** | 9,5 | 9,0 | 9,4 | 9,0 | 10,1 |
| **Solvency** | | | | | | | |
| Interest cover by operating profit (times) | | **3,9** | 4,4 | 5,2 | 6,7 | 8,2 | 8,3 |
| Net interest-bearing debt to EBITDA (times) | | **1,7** | 1,7 | 1,5 | 1,4 | 1,1 | 0,9 |
| Total equity to total assets (%) | | **29,4** | 28,3 | 29,3 | 30,7 | 33,9 | 34,8 |
| Net interest-bearing debt as a percentage of total equity (%) | | **74,5** | 76,7 | 70,1 | 65,6 | 52,3 | 41,8 |
| **Liquidity** | | | | | | | |
| Free cash flow to net profit for the year (times) | | **1,67** | 0,80 | 1,35 | 0,59 | 0,99 | 1,11 |
| Free cash flow to headline earnings (times) | 13 | **1,59** | 0,85 | 1,46 | 0,68 | 1,06 | 1,25 |
| Unutilised facilities | | **12 450** | 10 046 | 9 372 | 6 703 | 5 880 | 6 045 |

* *2016 Restated to include Regent VAPS business. 2015 restated to reclassify interest-bearing supplier liabilities as accounts payable of R607 million.*
** *Calculated on a revised basis. See financial definitions on page 34.*

| | Financial definitions | 2017 Rm | 2016* Rm | 2015* Rm | 2014 Rm | 2013 Rm | 2012 Rm |
|---|---|---|---|---|---|---|---|
| **Investing in the future** | | | | | | | |
| Cost of new acquisitions | | **1 796** | 352 | 1 076 | 911 | 776 | 2 241 |
| Expansion capital expenditure | | **1 073** | 1 902 | 2 515 | 1 957 | 1 682 | 1 125 |
| Net replacement capital expenditure | | **1 590** | 2 236 | 2 004 | 1 642 | 1 395 | 1 467 |
| Capital commitments | | **1 448** | 1 309 | 2 289 | 2 285 | 935 | 1 112 |
| **Statistics** | | | | | | | |
| Total new and used vehicles and motorcycles sold | | **198 257** | 209 432 | 211 412 | 208 740 | 206 462 | 198 131 |
| Number of transport fleet vehicles (owned) | | **7 288** | 7 238 | 7 133 | 5 676 | 6 431 | 6 312 |
| Number of vehicles for hire (car rental only) | | **13 750** | 13 903 | 14 917 | 15 356 | 17 602 | 16 599 |
| Number of employees | | **49 364** | 51 256 | 51 361 | 51 671 | 51 007 | 47 699 |
| Employee costs | | **16 623** | 16 528 | 15 647 | 14 576 | 12 824 | 10 703 |
| Wealth created per employee | | **511** | 498 | 475 | 444 | 412 | 380 |
| Total taxes and levies paid | 14 | **1 510** | 1 661 | 1 496 | 1 748 | 1 438 | 1 572 |
| **Share performance** | | | | | | | |
| Basic HEPS (cents) | | **1 390** | 1 552 | 1 624 | 1 625 | 1 805 | 1 566 |
| Basic core EPS (cents) | | **1 626** | 1 720 | 1 754 | 1 815 | 1 872 | 1 623 |
| Dividends per share (cents) | | **650** | 795 | 795 | 820 | 820 | 680 |
| Earnings yield (%) | 15 | **8,6** | 10,4 | 8,8 | 8,1 | 8,6 | 9,1 |
| Price earnings ratio (times) | 16 | **11,6** | 9,6 | 11,4 | 12,3 | 11,6 | 11,0 |
| Net asset value per share (cents) | 17 | **10 550** | 10 261 | 9 696 | 9 037 | 8 324 | 7 479 |
| Market prices (cents) | | | | | | | |
| – Closing | | **16 100** | 14 948 | 18 550 | 20 000 | 20 968 | 17 200 |
| – High | | **18 889** | 18 600 | 20 634 | 22 290 | 22 600 | 17 729 |
| – Low | | **13 653** | 9 999 | 16 418 | 16 080 | 17 150 | 9 420 |
| Total market capitalisation at closing prices | 18 | **32 384** | 31 118 | 37 616 | 41 563 | 43 788 | 36 093 |
| Value of shares traded | | **34 198** | 37 985 | 34 159 | 43 446 | 51 766 | 30 099 |
| Value traded as a percentage of average capitalisation (%) | | **108** | 111 | 86 | 102 | 130 | 98 |
| **Exchange rates used** | | | | | | | |
| Rand to Euro | | | | | | | |
| – average | | **14,81** | 16,10 | 13,73 | 14,07 | 11,43 | 10,38 |
| – closing | | **14,92** | 16,31 | 13,55 | 14,51 | 13,04 | 10,39 |
| Rand to US Dollar | | | | | | | |
| – average | | **13,58** | 14,51 | 11,44 | 10,38 | 8,84 | 7,75 |
| – closing | | **13,06** | 14,70 | 12,15 | 10,62 | 10,01 | 8,20 |
| Rand to British Pound | | | | | | | |
| – average | | **17,23** | 21,47 | 18,02 | 16,87 | 13,85 | 12,27 |
| – closing | | **17,02** | 19,58 | 19,11 | 18,11 | 15,22 | 12,87 |
| Rand to Nigerian Naira | | | | | | | |
| – average | | **0,04** | 0,05 | 0,06 | 0,06 | | |
| – closing | | **0,04** | 0,07 | 0,06 | 0,06 | | |
| Rand to Botswana Pula | | | | | | | |
| – average | | **1,29** | 1,34 | 1,20 | 1,17 | 1,09 | 1,05 |
| – closing | | **1,26** | 1,35 | 1,23 | 1,21 | 1,16 | 1,07 |
| Rand to Australian Dollars | | | | | | | |
| – average | | **10,24** | 10,56 | 9,54 | 9,52 | 9,06 | 7,99 |
| – closing | | **10,04** | 10,95 | 9,40 | 9,96 | 9,01 | 8,40 |

* *2016 Restated to include Regent VAPS business. 2015 restated to reclassify interest-bearing supplier liabilities as accounts payable of R607 million.*

** *Calculated on a revised basis. See financial definitions on page 34.*

Financial definitions:

1. Free cash flow – calculated by adjusting the cash flow from operating activities to exclude the expansion capital expenditure on rental assets and deducting replacement capital expenditure on other assets.
2. Operating assets – all assets less loans receivable, taxation assets, cash and cash equivalents and assets classified as held for sale.
3. Operating liabilities – all liabilities less all interest-bearing borrowings, taxation liabilities and liabilities directly associated to assets classified as held for sale.
4. Net working capital – consists of inventories, trade and other receivables, provisions for liabilities and other charges and trade and other payables.
5. Net interest-bearing debt – include total interest-bearing borrowings plus non-redeemable preference shares less cash resources.
6. Revenue to average net operating assets (times) – calculated by dividing revenue with average net operating assets.
7. Revenue relating to sales of goods to average inventory (times) – revenue relating to sales of goods divided by average inventory.
8. Operating profit to average net operating assets (%) – operating profit per the income statement divided by average net operating assets.
9. Operating margin (%) – operating profit per the income statement divided by revenue.
10. Return on average ordinary shareholders' interest (%) – net profit attributable to owners of Imperial divided by average shareholders' interest (calculated by using the opening and closing balances) attributable to Imperial Holdings' shareholders.
11. ROIC (%) – 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 increased by the share of results of associates and joint ventures. 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. WACC (%) – 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). The cost of equity is blended recognising the cost of equity in the different jurisdictions in which the group operates. This is different from prior year where a South African cost of equity was used.
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 2017

| Continuing operations | 2017 Rm | % | 2016* Rm | % |
|---|---|---|---|---|
| Revenue | 116 839 | | 115 800 | |
| Paid to suppliers for materials and services | 91 638 | | 90 765 | |
| **Total wealth created** | 25 201 | | 25 035 | |
| **Wealth distribution** | | | | |
| Salaries, wages and other benefits (note 1) | 16 623 | 66 | 16 528 | 66 |
| Providers of capital | 3 723 | 15 | 3 349 | 13 |
| – Net financing costs | 1 680 | 7 | 1 440 | 6 |
| – Dividends, share buybacks and cancellations | 1 816 | 7 | 1 572 | 6 |
| – Dividends to NCI | 227 | 1 | 337 | 1 |
| Government (note 2) | 1 510 | 6 | 1 661 | 7 |
| Reinvested in the group to maintain and develop operations | 3 344 | 13 | 3 497 | 15 |
| – Depreciation, amortisation, impairments and recoupments | 2 838 | | 3 119 | |
| – Future expansion | 506 | | 378 | |
| | 25 201 | 100 | 25 035 | 100 |
| **Value-added ratios** | | | | |
| – Number of employees (continuing operations) | 49 364 | | 50 291 | |
| – Revenue per employee (R'000) | 2 367 | | 2 303 | |
| – Wealth created per employee (R'000) | 511 | | 498 | |
| **Notes** | | | | |
| **1. Salaries, wages and other benefits** | | | | |
| Salaries, wages, overtime, commisions, bonuses, allowances | 15 216 | | 15 006 | |
| Employer contributions | 1 407 | | 1 522 | |
| | 16 623 | | 16 528 | |
| **2. Central and local governments** | | | | |
| South African normal taxation | 875 | | 996 | |
| Witholding and secondary tax on companies | 14 | | 4 | |
| Foreign tax | 325 | | 378 | |
| Rates and taxes | 107 | | 98 | |
| Skills development levy | 81 | | 75 | |
| Unemployment Insurance Fund | 80 | | 84 | |
| Carbon emissions tax | 28 | | 27 | |
| | 1 510 | | 1 661 | |

* *2016 Restated to cover continuing operations only.*

# Our leaders

## NON-EXECUTIVE DIRECTORS

### 01 | Suresh Parbhoo Kana (62)

*(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, a member of the King Committee on Corporate Governance and vice chair of the Integrated Reporting Committee of South Africa. Suresh is a professor of accounting at the University of Johannesburg. He is a non-executive director of the JSE Limited, chairman designate of Murray & Roberts Limited and vice chair of the Audit Committee of the United Nations World Food Programme based in Rome. 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.

### 02 | Ashley (Oshy) Tugendhaft (69)

*(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 Alviva Holdings Limited (formerly Pinnacle Technology Holdings Limited). He was appointed to the board in April 1998 and as deputy chairperson in March 2008.

### 03 | Roderick John Alwyn Sparks (58)

*(Lead independent)*

*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.

### 04 | Peter Cooper (61)

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

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

### 05 | Manuel Pereira de Canha (67)

Manny will continue serving as a non-executive director of the Imperial Holdings' board until 31 October 2017 and will retire from the group on 31 January 2018. He was previously the CEO of Associated Motor Holdings, responsible for the Vehicle Import, Distribution and Dealerships division for many years. 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.

### 06 | Graham Wayne Dempster (62)

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

Graham was appointed to the board on 24 February 2015 and is a member of the audit and investment committees and the chairman of the asset and liability committee (ALCO). He is a non-executive director of Telkom and AECI and the Independent non-executive chairman of Long4Life Limited. Graham was an executive director of Nedbank Group Limited and Nedbank Limited and retired in May 2014 with over 30 years' service in the Nedbank Group.

### 07 | Phumzile Langeni (43)

*BCom (Acc), BCom (Hons)*

Phumzile is the executive chairman of Afropulse Group. She is currently the chairman of Mineworkers' Investment Company. She also serves as an independent non-executive director of Master Plastics, Massmart and various other listed and unlisted boards. She was appointed to the board in June 2004.

### 08 | Mohammed Valli Moosa (59)

*BSc (Mathematics)*

Valli is a non-executive director of Sanlam Group Holdings and Sappi and the 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.

### 09 | Thembisa Skweyiya (Dingaan) (44)

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

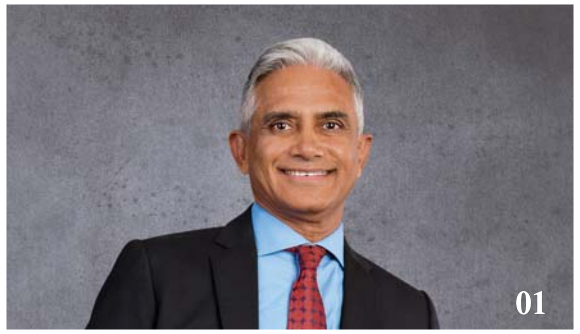
Thembisa is an admitted attorney to the New York State Bar, USA.

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

### 10 | Younaid Waja (65)

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

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

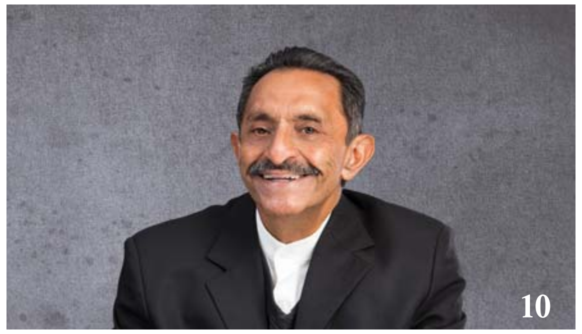


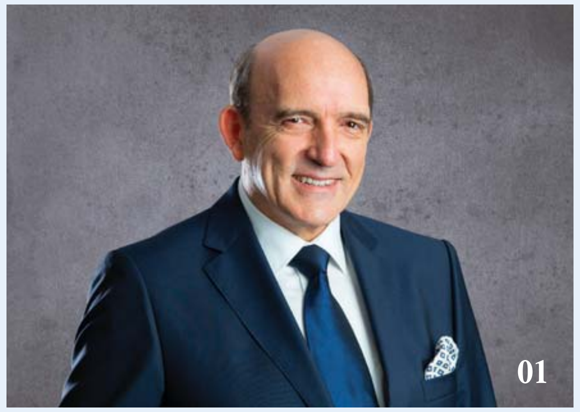













## EXECUTIVE DIRECTORS

### 01 | Mark James Lamberti (67)

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

Mark was appointed Chief Executive Officer (CEO) on 1 March 2014, in which capacity he chairs the 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.

### 02 | Mohammed Akoojee (38)

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

Mohammed was appointed Chief Financial Officer (CFO) on 1 March 2017. He joined the group in 2009, and previously served as CEO of the Logistics African Regions division and executive director responsible for mergers, acquisitions, strategy and investor relations for the group.

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

### 03 | Marius Swanepoel (56)

*BCom Acc (Hons)*

Marius is the CEO of Imperial Logistics which, effective 1 July 2016, includes all Imperial's logistics interests across the globe. He joined the group in 1994 when Imperial acquired Highway Carriers, where he served as financial director.

Marius was appointed as financial director of Imperial Transport Holdings in 1997 and CEO of the Transport & Warehousing division 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 began 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 has grown into the significant business it is today – recognised internationally as a leader and innovator in the supply chain field.


## EXECUTIVE DIRECTORS – *continued*

### 04 | Osman Suluman Arbee (58)

*BAcc, CA(SA), HDip Tax*

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

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

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

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

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

## GROUP EXECUTIVES

### Berenice Joy Francis (41)

*BCompt (Hons), CIA, MBA (IE)*

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

She is the president of the Institute of Risk Management SA (IRMSA) and also chairs the Education and Technical committee of IRMSA. She is a board member of Ukhamba Holdings. Prior to joining the group, she was the chief risk officer for the State IT Agency.

### Taryn Marcus (36)

*BA Human Resources (Cum laude), BA Honours Industrial Psychology (Cum laude), MA Industrial Psychology, Registered Industrial Psychologist*

Taryn is the group organisation effectiveness executive, responsible for the collaborative setting of the group's human capital mandate. 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.

### George Nakos (40)

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

George is currently employed as group corporate finance executive and is a non-executive director of the Imperial Logistics board.

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 co-ordinator of the natural resources corporate finance team.

### Craig W Shaw (47)

*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. He is the past joint head of the natural resources corporate finance team at Investec Corporate Finance, a division of Investec Bank Limited.