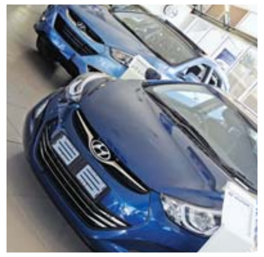
Motus

DIVISIONAL REVIEW

Motus is a highly competitive and profitable vehicle group, focused on creating value for customers across the vehicle value chain.

Motus, a distributor and retailer of vehicles and related products and services in Southern Africa and selected international markets, provides an integrated offering of services across all segments of the vehicle value chain for a broad range of the world's most respected vehicle brands.

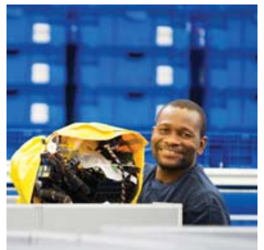


Vehicle Import and Distribution

> Exclusive South African importer of Hyundai, Kia, Renault, Mitsubishi and five smaller automotive brands.
> Distributorships in six African countries, mainly Nissan.

Vehicle Retail and Rental

> South Africa
 – Represents 22 OEMs through 358 vehicle dealerships (including 94 pre-owned), 245 franchised dealerships and 19 commercial vehicle dealerships.
 – 113 car rental outlets in South Africa (Europcar and Tempest) and 16 in Southern Africa.
> 58 commercial dealerships in the UK.
> 18 dealerships in Australia.



Aftermarket Parts

> Distributor, wholesaler and retailer of accessories and parts for older vehicles, through 700 AAAS (previously Midas) and Alert Engine Parts and Turbo Exchange owned and franchised stores.

Motor Related Financial Services

> Manager and administrator of service and warranty plans for ~480 000 vehicles.
> Developer and distributor of innovative vehicle-related financial products and services through dealer and vehicle finance channels, and a national call centre.
> Fleet management services.

	Vehicle Import and Distribution	Vehicle Retail and Rental	Aftermarket Parts	Motor Related Financial Services
GROUP REVENUE	6%	45%	5%	1%
GROUP OPERATING PROFIT	12%	24%	6%	13%

* Based on external revenue from the sub-division.

Vehicle Import and Distribution	Vehicle Retail and Rental	Aftermarket Parts	Financial Services
> Strong relationships with original equipment manufacturers (OEMs) and other partners. > Able to add additional brands to its product portfolio by leveraging the scale of its distribution network.	> Largest vehicle retailer and second-largest car rental operator in South Africa. > Trusted relationships with manufacturers, franchisors, franchisees, customers and suppliers. > Extensive, well-balanced footprint of vehicle retail operations representing almost all major brands, with a broad spread of motor related services in its portfolio.	> Largest distributor in Southern Africa. > Represents all major global brands, and offers a comprehensive range of affordable, private label brands, providing customers with multiple parts solutions. > Balanced portfolio of owned and franchised outlets. > Develops parts supply solutions to satisfy all workshop requirements.	> Access to the dealership network provides significant point of sale opportunities. > Access to market intelligence through the group's vehicle businesses and its own data. > Ability to feed market intelligence back into the vehicles businesses, enabling the division to reach clients with the right product at the right time. > Cash-generative revenue lines that create strong annuity income streams. > Proven track record of innovative product and channel development and deployment.

Strategy

In January 2017, Motus was consolidated as a single division under one collaborative leadership team.

The disposals of non-strategic businesses over the past two years have positioned Motus as a strategically coherent motor vehicle business, with sharpened strategic, managerial and customer focus. Ongoing restructuring of the division will enhance returns by improving intra-divisional collaboration and efficiencies, and reducing complexity, costs and capital employed.

OVERVIEW OF DIVISIONAL CONSOLIDATION

The restructure of Motus' enterprise architecture is aimed at achieving:

> Agile organisational structures that enable growth opportunities.
> Simplified reporting structures and decision-making.
> Improved collaboration across the vehicle value chain.
> Combined head office functions to optimise support to businesses.
> Cohesive teams with the same vision and focus for the future.

ORGANISATIONAL REVIEW → ORGANISATIONAL DESIGN → IMPLEMENTATION

Understand business strategy and current organisational structures and capabilities.

Define a Motus operating model, develop effective processes to achieve goals, define functional and reporting structures and undertake job profiling.

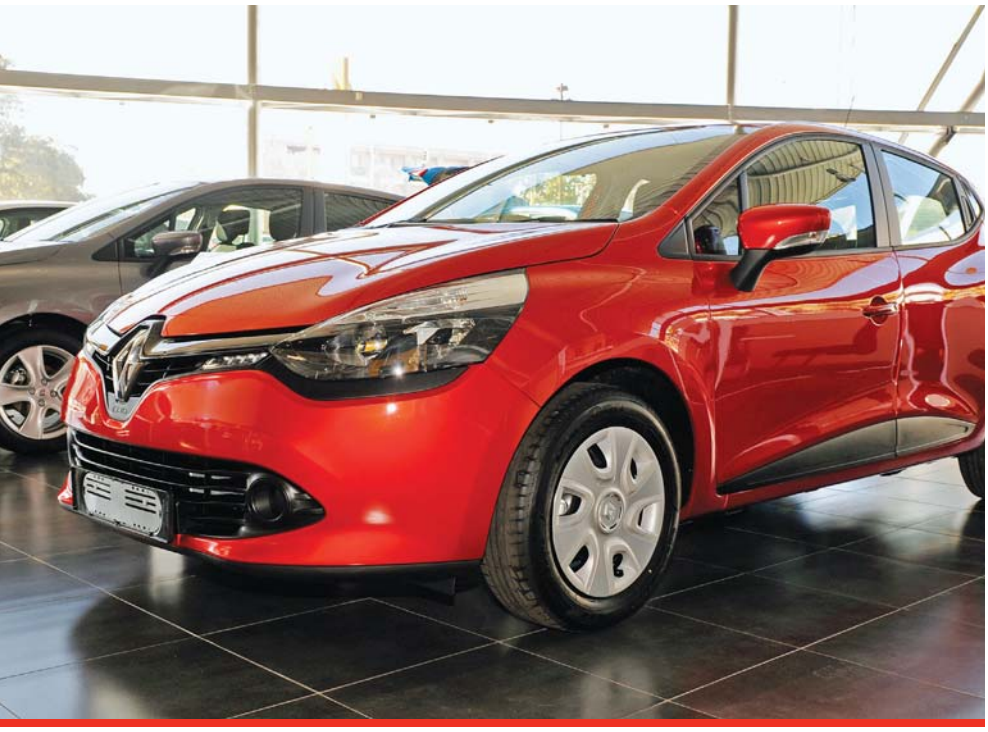
COMPLETED

IN PROGRESS

RESPONDING TO A CHALLENGING OPERATING CONTEXT

The trends in the division's operating environment that had a direct bearing on the division's strategic development and performance in the year under review, are reflected below.

> High market share in structurally low-growth South Africa, with new vehicle sales down 7,4%.
> Negative consumer sentiment and constrained spending, with tighter credit approvals by banks, shifting demand to entry-level offerings and used cars.
> Aggressive competition for market share curbing ability to raise prices.
> New entrants to the market, including non-franchise disruptors not held to the same standards and financial services disruptors that offer value-added products and services (VAPS).
> Rand volatility against major currencies impacting on profitability, working capital levels and pricing.
> Increasing regulation adding cost and complexity to customer value propositions.
> Brexit uncertainty curbing growth expectations in the UK, and Pound weakness affecting translation of results to Rand.
> Short-to medium-term outlook for the Australian economy is positive.



Amid the significant economic headwinds, Motus is well positioned to defend its market share in South Africa and grow in selected segments of the vehicle value chain. Its participation in all aspects of vehicle ownership, use and maintenance provides the opportunity to grow the proportion of revenue and operating profit, already at 53% and 78% respectively, that is not vulnerable to vehicle sales. Its full value chain exposure also enables the division to cross-sell and leverage synergies and efficiencies across its businesses, giving further protection against cyclical pressures.

More broadly, technology-driven disruption is changing the nature of the industry. Already noticeable is the increase in buyers and sellers utilising digital platforms, although this remains limited to investigating product options. Over the longer term, advances in automotive technology, and changing attitudes to vehicle ownership, will drive the commoditisation of mobility. OEMs are moving to electric, automated and connected cars, providing dealers with a constant link to the customer. Also evident is the shift to shared vehicle ownership and greater use of pay-per-ride services. Telematics are being applied to influence driver behaviour, drive proactive customer interaction and vehicle maintenance, and inform research anddevelopment.

These trends will disrupt the current dealership model and the importance of VAPS is likely to decline in favour of the overall customer mobility experience and services offered. The pace at which these changes filter into the division's current markets will depend largely on OEMs, especially in respect of changes to the dealership model.

The division is well positioned, in its scale and scope, expertise and relationships, to anticipate the changes and respond with the necessary innovations. Specifically, its strong relationships with OEMs will support its ability to respond quickly to their changing requirements. Furthermore, the financial services business has a proven track record in improving customer engagement through innovative channel and product development, underpinned by its data analytics capabilities. It has the skillsets and the strategic partnerships to access the latest thinking and to respond effectively with a continually evolving and differentiated mobility experience for its customers.

HOW MOTUS WILL COMPETE AND WIN IN THE NEXT THREE YEARS

OBJECTIVE: Secure growth and returns through deep direct relationships with leading OEMs, optimal distribution techniques, creative marketing, new dealership and client interface models, shared support facilities and loyalty engendering financial services.

The desirability of its brands, its ability to leverage its scale to create value for customers, and its efforts to ensure excellent customer experiences and quality products, including the development of innovative VAPS, will underpin the growth and retention of its customer base. A collaborative customer engagement strategy is being developed to deliver an integrated and differentiated customer experience across the importer, dealer and financial services businesses. This is being supported by enhancing the data management strategy, and aims to deepen customer loyalty.

Strong and longstanding relationships with OEMs, and its ability to negotiate preferential pricing, supports the division's value proposition to customers. In turn, Motus offers OEMs the best route-to-market through high-quality marketing, high levels of customer satisfaction and strategically located dealerships. While OEMs impose sales, service and parts targets, meeting them provides the opportunity to earn higher variable margins.

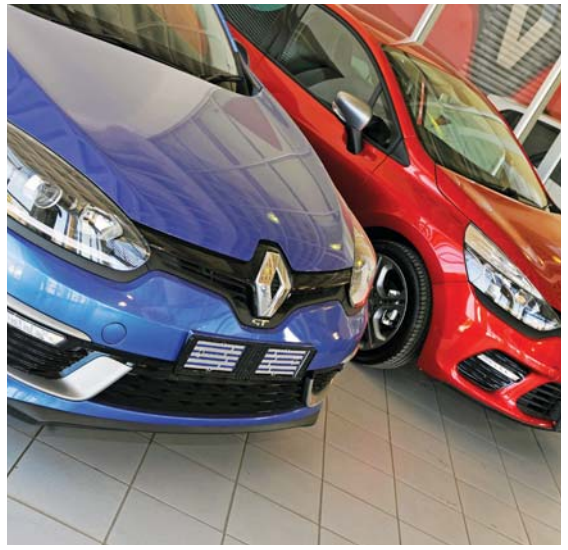
To grow annuity income and hedge against the business's dependence on new car sales and market fluctuations, the financial services business is a key growth area. LiquidCapital's direct sales channel, MotorHappy, has successfully strengthened its position in the direct-to-consumer market, providing a single point of contact for customers for all the division's offerings. In anticipation of a shift in buying behaviour from new to lower-cost and pre-owned vehicles, LiquidCapital is developing products that specifically address the needs of this market.

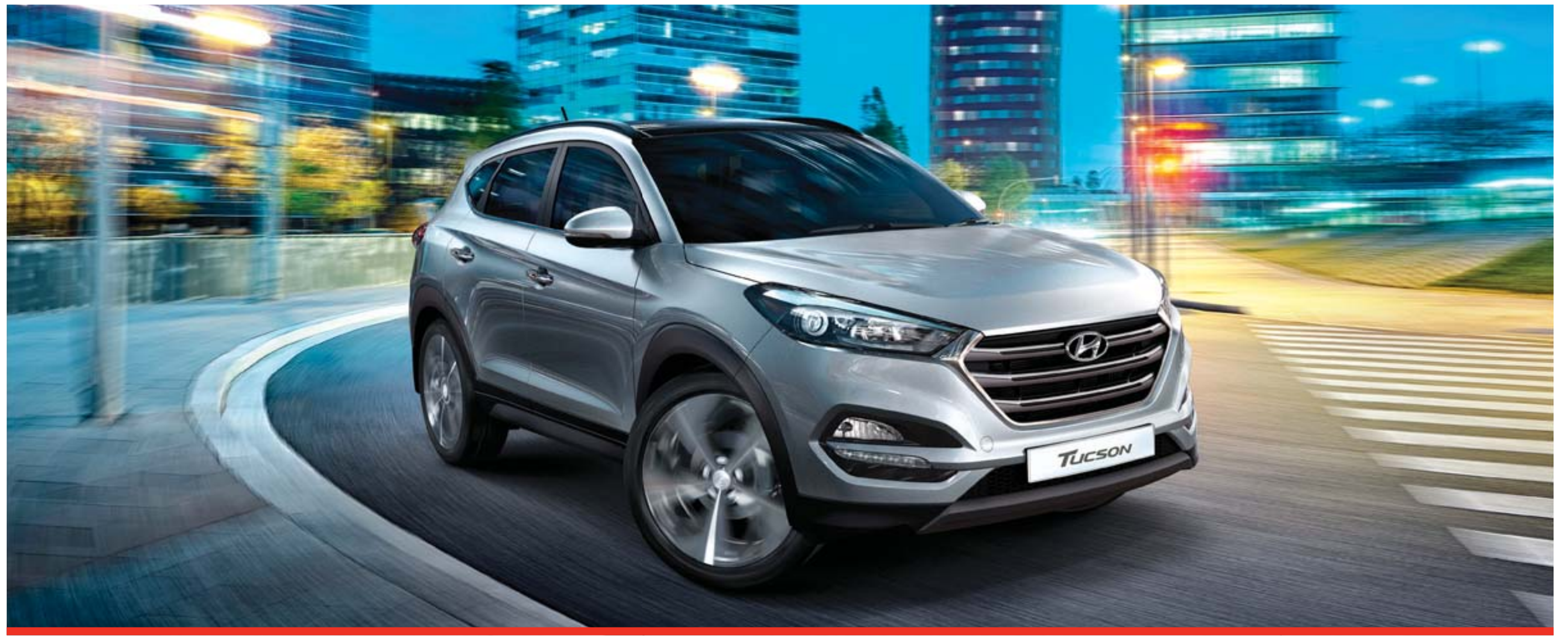
A new fleet management business, 58 Fleet (Pty) Ltd, is expected to grow strongly based on its innovative management system which includes securing a strategic 51% BBBEE partner. The financial services business will drive innovation across the vehicles businesses, specifically by leveraging data to enhance the customer mobility experience. The business is investing in innovative solutions such as virtual showrooms, virtual finance and insurance products and loyalty programmes, with the potential of expanding these platforms into the division's international operations over time.

Similarly, the division has plans to strengthen its position in aftersales parts and services. With the car parc of the importer brands at some 1,2 million vehicles, and growing, capturing a greater share of after-market activity, supported by targeted VAPS focused on older vehicles, provides opportunity for growth.

In line with the escalating activity in the pre-owned market, the division expects to capture a large share of this market through its dealerships in South Africa, and more focus will be placed on pre-owned vehicle volumes in the UK. The business will drive growth in car rental volumes both in South Africa and the SADC regions with the specific objective to grow public sector business.

The division's focus on reducing capital intensity and costs continues, with ROIC introduced as a key performance indicator for senior management. Functions are being combined where it makes sense to do so, with a centralised warehouse and procurement initiative underway. The aim is to shorten the inventory cycle between acquisition and sale through more efficient distribution of new, pre-owned and car rental vehicles and parts. The capital structures of all dealerships are being reviewed, and a sustainable dealership model for the future is under consideration. Attention is being given to improving cost structures, exiting non-strategic dealerships and aligning headcount and labour rates to industry benchmarks.





Currency risk is a material factor for the division, especially the impact of Rand volatility on profitability and working capital levels. This was illustrated as Rand volatility coupled with the slowdown in sales resulted in excess forward cover at uncompetitive rates within the importer business, and lower converted profits from foreign operations. The division continues to manage working capital tightly, particularly for new vehicles and parts, by ensuring realistic OEM expectations of volume and management of inventory levels relative to demand.

For more information on how we manage currency risk, see our full material issues online.
For comprehensive information on the division's sustainability performance and related initiatives refer to the SDR: Motus review.

OBJECTIVE: Continually enhance Motus' 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' capabilities and resources.

Recent corporate action is set out below:

Acquisitions	Disposals and closures
Unbundled and retained the VAPS business from Regent, excluding it from the disposal of Regent Life and Regent Short Term completed during the year. The VAPS business provides a foundation for growth as it is fully integrated.	C2 Group, comprising 21 legal entities, was sold on 1 September 2016.
The remaining 10% minority holding in AAAS (previously Midas) was acquired during the year for R87,5 million.	Jurgens and Prestige Safari were sold in February 2017.
75% of SWT Group, based in Australia, which operates 16 dealerships, was acquired after year end for AU$$ 24,2 million (R254 million).	Sale and leaseback property transactions.
100% of Pentagon Motor Holdings, which operates 21 prime retail dealerships in the UK, was acquired after year end for £28 million (R493 million).	15 non-strategic or underperforming dealerships were closed.

Given the limited scope for organic growth in the domestic market, and the largely unregulated pre-owned vehicle imports into sub-Saharan Africa, acquisitive growth will be mostly beyond the continent. Motus will continue to assess acquisitive opportunities to enhance and leverage the current dealership network in existing geographies. In aftermarket parts, there is scope to acquire businesses to expand its footprint in Africa and sourcing businesses in the East are being explored. These will shorten the supply chain of importing these products resulting in cost savings

OBJECTIVE: 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, aftermarket parts and financial services businesses.

Accelerating the transformation of the local business, according to the revised BBBEE Codes, is a strategic imperative. A project to review best practices in employment equity and to understand the barriers to it is underway. Diversity training workshops, to create an inclusive culture, are being held across the division.

Revised recruitment policies and plans to source skilled and experienced black candidates are being put in place, with investment in apprenticeships, learnerships and sales cadet programmes for unemployed black youth and graduate development programmes aimed at building a pipeline of skilled black employees. Specific targets have been set, and the progression of black people into senior roles determines a portion of the incentives for senior management

OBJECTIVE: Drive competitive advantage, operational excellence and sustainability through improved people management, systems renewal and standardisation.

With the new management structure in place, focus has shifted to improving people management practices and processes, including talent management, core data, human capital and payroll technology, and enterprise architecture. The division is investing in technology to improve its human capital data, the basis for improved human capital practices. During the year, a new human capital and payroll system was evaluated and selected, with full implementation expected in the next 18 to 24 months.

Succession plans are in place for key roles and the talent programme identifies individuals with the potential to progress into more senior leadership roles. The Imperial Technical Training Academy provides training on workshop servicing and is recognised as the largest and leading provider of automotive technical trades training in South Africa. The academy currently has 1 103 apprentices and learnership candidates, of which 70% are black.

Enhancing the customer experience and improving business efficiency through new technology is a key focus for the division, including the further expansion of its electronic sales platform and dealership management system, alongside ongoing projects to upgrade or replace legacy systems. These objectives are the responsibility of the newly appointed chief information officer, together with formalising the structure and reporting requirements of the IT function. A cybersecurity strategy and an information security charter are being developed and assessments in this respect are underway, to ensure compliance with ISO 27001.

Performance

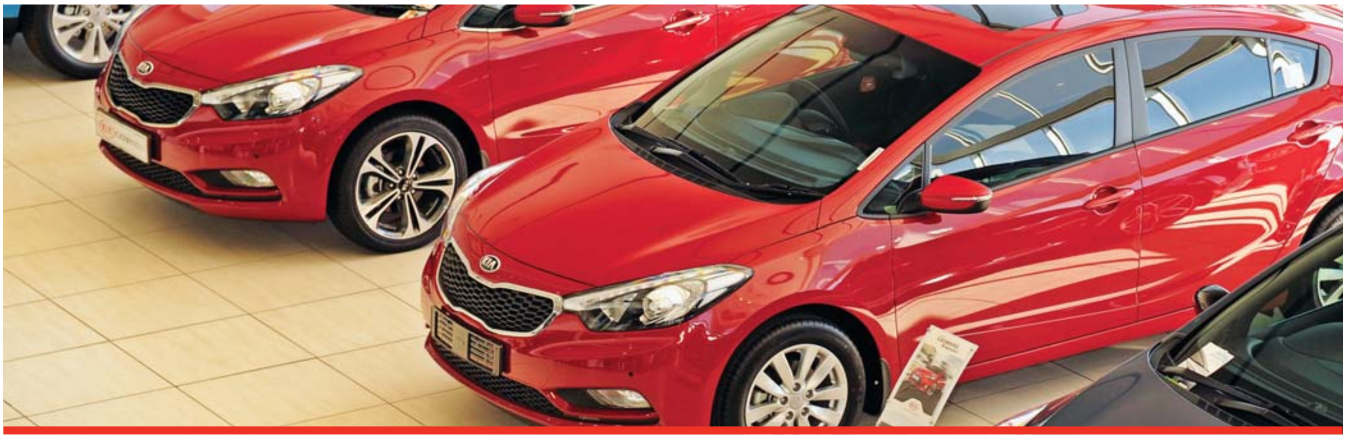
Revenue and profit for Motus declined by 3% due to a slowing vehicle market and higher cost of inventory in the Vehicle Import and Distribution sub-division in the first half, partly offset by a strong performance from the Financial Services Sub-division. National vehicle sales in South Africa contracted by 7% during the year. The Motus passenger and light commercial vehicle businesses, including the UK and Australia, retailed 113 074 (2016: 118 787) new and 70 158 (2016: 69 637) pre-owned vehicles during the year.

The strengthening of the Rand against the Pound (20% on average) and Australian Dollar (3% on average) reduced the Rand denominated results of the UK and Australian businesses, which increased revenue by 12% and 11% and operating profit by 14% and 22% respectively in local currencies. Excluding acquisitions and disposals in the current and prior year, revenue and operating profit increased by 2% and 3% respectively.

During the year, a foreign exchange loss of R388 million was realised. This related to the unwinding of uneconomical and excessive forward cover, mainly in Renault, caused by a volatile Rand exchange rate, excessive ordering in a slowing market and delayed model launches. The group's foreign exchange controls and policies were reviewed and remain unchanged, but the group's oversight of their application was subsequently strengthened. Imperial's current policy is to cover forward up to seven months on a rolling basis, depending on the brand of vehicle.

Net capital expenditure of R2,2 billion was incurred during the year (2016: R2,1 billion) largely on vehicles for hire.

The Regent transaction was concluded on 26 June 2017. The consequent acquisition of the VAPS business by the Financial Services sub-division has enhanced its ability to provide Motus customers with a wide range of innovative products that will engender client satisfaction, loyalty and annuity income.



Key financial indicators

R million	REVENUE 2017	REVENUE 2016	% change	OPERATING PROFIT 2017	OPERATING PROFIT 2016	% change	OPERATING MARGIN 2017 %	OPERATING MARGIN 2016 %	RETURN ON INVESTED CAPITAL 2017 %	RETURN ON INVESTED CAPITAL 2016 %	WEIGHTED AVERAGE COST OF CAPITAL 2017 %	WEIGHTED AVERAGE COST OF CAPITAL 2016 %
Vehicle Import and Distribution	**18 157**	`18 307	(1)	**728**	913	20	**4,0**	5,0				
Vehicle Retail and Rental	**55 633**	55 132	1	**1 478**	1 426	4	**2,7**	2,6				
Aftermarket Parts	**6 153**	5 824	6	**406**	382	6	**6,6**	6,6				
Motor Related Financial Services	**2 036**	1 837	11	**833**	725	15	**40,9***	39,5*				
Businesses held for sale and eliminations	**(15 439)**	(12 621)		**(135)**	(44)							
Total	**66 540**	68 479	(3)	**3 310**	3 402	(3)	**5,0**	5,0	**11,8**	12,2	**10,1**	10,2

** The operating margin for Financial Services reflects various business ventures that yield operating profits without any associated revenues.*
Note: Since the publication of the H1 2017 results there have been minor adjustments to the sub-divisions of Motus, requiring the segmental report to be amended and the reported H1 2017 numbers to be restated as above. These changes comprise reallocations of: appropriate eliminations to Motus out of group head office and eliminations; the transfer of the African distributorship operations from the Vehicle Retail and Rental sub-division to the Vehicle Import and Distribution sub-division; and the transfer of Beekmans from the Vehicle Import and Distribution sub-division to the Aftermarket Parts sub-division. The above numbers are also adjusted to include the VAPS business in Financial Services. The restated segment report for December 2015 and December 2016 is available on the company's website www.imperial.co.za.

Key non-financial indicators

Total scope 1 & 2 CO_2 emissions:
147 693 TONNES
(2016: 161 992 TONNES)

Road fuel usage
26 169 KILOLITRES
(2016: 26 703 KILOLITRES)

Training spend:
R205,4 MILLION
(2016: R185.6 MILLION)

Total number of employees
17 523
(2016: 19 436)

Number of training hours:
71 HOURS
PER EMPLOYEE, INCLUDING APPRENTICE TRAINING HOURS

SDR online.

Outlook

Motus is expected to grow revenues and operating profit from continuing operations in the year to June 2018.

Refer to the CEO's report on page 21 for more detail.

MOTUS DIVISIONAL BOARD

Mark James Lamberti
Non-executive chairman

See our leadership on page 38 for detailed CV.

Osman Suluman Arbee
Chief executive officer

See our leadership on page 38 for detailed CV.

Ockert Janse van Rensburg (44)
Chief financial officer

BCompt, CA(SA), HDip Co Law

Ockert has been with the Imperial Group since January 2015, during which time he has been the CFO for Associated Motor Holdings. Prior to joining the group, he was the chief financial officer of a large multinational food manufacturing and distribution company, Foodcorp Holdings, for seven years. Prior to joining Foodcorp, he held the position as partner of PricewaterhouseCoopers Inc.

Philip Michaux (57)
Vehicle Retail and Rental CEO

Philip is the CEO of the Vehicle Retail and Rental division. He started his career in the motor industry in 1981 with Saficon Holdings and has held various management positions within the industry over the years. He spent the first 23 years within the Mercedes-Benz franchise. Imperial acquired Saficon in 1995, which resulted in him joining the group. He was the managing director of Cargo Motors until 2006 at which time he was promoted to CEO of the Automotive Retail division. His portfolio was expanded to include the Car Rental and Aftermarket Parts divisions in his previous position as CEO of Vehicle Retail, Rental and Aftermarket Parts divisions. He was appointed to the group executive committee in October 2011 and to the group board in May 2014. In line with changes in his executive responsibilities, Philip resigned from the group board on 21 August 2017.

Kerry Cassel (44)
Financial Services CEO

BCom Acc, Dip Acc, CA(SA)

Prior to joining the group in 2002, Kerry was an audit manager at Deloitte & Touche. Kerry held multiple senior positions at Associated Motor Holdings and LiquidCapital. Kerry was promoted to managing director of LiquidCapital (Pty) Limited in April 2010.

Mohammed Akoojee
Non-executive director

See our leadership on page 38 for detailed CV.

Manny de Canha
Non-executive director

See our leadership on page 36 for detailed CV.

Phumzile Langeni
Non-executive director

See our leadership on page 36 for detailed CV.

Marius Swanepoel
Non-executive director

See our leadership on page 38 for detailed CV.

Younaid Waja
Non-executive director

See our leadership on page 36 for detailed CV.