

> INDEPENDENT AUDITOR'S REPORT

To the shareholders of Imperial Holdings Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Imperial Holdings Limited and its subsidiaries ("the Group") set out on pages 14 to 101 which comprise the consolidated and separate statements of financial position as at 30 June 2016, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Imperial Holdings Limited and the Group as at 30 June 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors ("IRBA Code") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For the audit committee chairman's review of areas of significant judgement see page 8.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p>VALUATION OF GOODWILL</p> <p>Goodwill comprises 7.8% of the total assets of the Group. These assets have been recognised in the consolidated statement of financial position as a consequence of the acquisitive nature of the Group.</p> <p>As required by the applicable accounting standards, the directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill and indeterminate useful life intangible assets. This is performed using discounted cash flow models. As disclosed in note 4, there are a number of key sensitive judgements made in determining the inputs into these models which include:</p> <ul style="list-style-type: none"> > Revenue growth (including market share and volume growth); > Operating margins; > Exchange rate fluctuations; and > The discount rates applied to the projected future cash flows. <p>The directors have engaged specialists to assist with the determination of the discount rates for the significant cash generating units to which the goodwill relates.</p> <p>The impairment test of this asset is considered to be a key audit matter.</p>	<p>We focused our testing of the impairment of goodwill on the key assumptions made by the directors. Our audit procedures included:</p> <ul style="list-style-type: none"> > Engaging our internal specialists to assist with: <ul style="list-style-type: none"> - Critically evaluating whether the model used by the directors to calculate the value in use of the individual cash generating units complies with the requirements of IAS 36 Impairment of Assets. - Validating the assumptions used to calculate the discount rates and recalculating these rates. > Analysing the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the cash generating units. > Subjecting the key assumptions to sensitivity analyses. > Comparing the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to test the accuracy of the directors' projections. <p>We found that the assumptions used by the directors were comparable with historical performance and the expected future outlook and the discount rates used were appropriate in the circumstances. We consider the disclosure of the goodwill to be relevant and useful.</p>

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
INCOME TAX AND DEFERRED TAX	
<p>Income tax: Due to the multiple tax jurisdictions within which the Group operates and the ambiguity of certain tax laws, determining the amounts which should be recognised for tax is subject to judgement and is thus a key audit matter. The directors' judgement includes consideration of regulations by various tax authorities with respect to transfer pricing regulations and other tax positions. Where there is uncertainty, the directors make provision for tax based on the most probable outcome. The directors' disclosures with regards to the uncertainties are contained in note 1.28, whilst the income tax disclosures are contained in note 31.</p> <p>Deferred tax: As disclosed in note 8, the Group has recognised deferred tax assets in respect of certain entities to the extent that it is probable that historical tax losses will be realised. This requires the directors' judgement in estimating future taxable income and is accordingly a key audit matter.</p>	<p>We involved our tax specialists to evaluate the recognition and measurement of the current and deferred tax assets and liabilities. This included:</p> <ul style="list-style-type: none"> > Analysing the current and deferred tax calculations for compliance with the relevant tax legislation. > Evaluating the directors' assessment of the estimated manner in which the timing differences, including the recoverability of the deferred tax assets, would be realised by comparing this to evidence obtained in respect of other areas of the audit, including cash flow forecasts, business plans, minutes of directors meetings and our knowledge of the business. > Challenging the assumptions made by the directors for uncertain current and deferred tax positions to assess whether appropriate current and deferred tax provisions have been recognised and are based on the most probable outcome. <p>Based on the procedures performed and information available, we found the tax balances recorded and the disclosures thereof to be appropriate.</p>
MAINTENANCE AND WARRANTY CONTRACTS	
<p>The Group has a liability for service, maintenance and warranty contracts, in terms of which it is obligated to provide maintenance and repair services over a future specified period.</p> <p>The determination of the adequacy of the maintenance and warranty contract reserves and the recognition of the related revenue in accordance with IAS 18 Revenue is complex. The values recognised are based on the expected earnings curves of the contracts, which are dependent upon forecasted burn rates derived from key assumptions about the future, including:</p> <ul style="list-style-type: none"> > Vehicle parts inflation; > Foreign currency devaluation; and > Estimated use of vehicles. <p>Due to the complexity of the actuarial assumptions and the risk that the quantum of the reserves and consequential revenue recognised is inappropriate, the maintenance and warranty contracts have been identified as key audit matters.</p> <p>The disclosure related to the maintenance and warranty contracts is contained in notes 1.28 and 22.</p>	<p>We assessed and challenged the assumptions the directors made in valuing the service, maintenance and warranty contracts with a focus on the adequacy of the reserves and the appropriateness of the related revenue recognised. This included:</p> <ul style="list-style-type: none"> > Engaging an independent actuarial specialist to evaluate the work performed by the directors' expert, including: <ul style="list-style-type: none"> - Assessing the appropriateness of the financial models utilised by the directors' expert; - Assessing the competence and experience of the directors' expert; and - Testing the inputs into the financial models and the reasonableness of the ranges to the sensitivity of the inputs. > Comparing the sufficiency of the funds against historical information and performing a retrospective review thereon. <p>We are satisfied with the actuarial assumptions applied and consequently with the measurement of the reserves at 30 June 2016. We are satisfied that the revenue recognised in the period is appropriate. The related disclosure is sufficient.</p>

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To the shareholders of imperial holdings limited

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report, Audit Committee's Report and Company Secretary's Certificate, as required by the Companies Act of South Africa, which we obtained prior to the date of this auditors' report and the integrated report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- > Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- > Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- > Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and

Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.

- > Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- > Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Imperial Holdings Limited for 16 years.



Deloitte & Touche
Registered Auditors

Per: Andrew Mackie
Partner

22 August 2016