

IMPERIAL CAPITAL LIMITED

(Registration no: 2003/008195/06)

Annual Financial Statements
for the year ended 25 June 2006

IMPERIAL CAPITAL LIMITED
(Registration number: 2003/008195/06)
ANNUAL FINANCIAL STATEMENTS
for the year ended 25 June 2006

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Director's report

A directors' report has not been presented as the company is a wholly owned subsidiary of Imperial Holdings Limited which is incorporated in South Africa.

Statement of responsibility

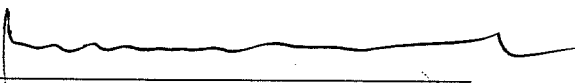
The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The external auditors are responsible for independently auditing and reporting on the fair presentation of the financial statements in conformity with International Standards on Auditing. The financial statements have been prepared in accordance with International Financial Reporting Standards.

The directors are also responsible for the company's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

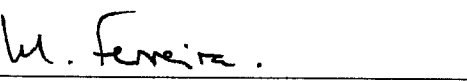
The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

Approval of the annual financial statements

The financial statements which appear on pages 2 to 13 were approved by the board of directors on 21 August 2006 and signed on their behalf by:



WG Lynch



M Ferreira

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBER OF IMPERIAL CAPITAL LIMITED

We have audited the annual financial statements of Imperial Capital Limited set out on pages 2 to 13 for the year ended 25 June 2006. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with statements of International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company at 25 June 2006, and the results of its operations and cash flows for the year ended, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act in South Africa.



Deloitte & Touche

**Per BW Smith
Partner**

21 August 2006

Imperial Capital Limited
Balance Sheet as at 25 June 2006

	Note	2006 R	2005 R
Assets			
Non current assets			
Finance leases receivable/Instalment sale agreements	4	2,094,496,497	1,655,675,241
Current assets			
Amount owing by group company	5	55,701,846	69,061
Accounts receivable		9,647,179	5,931,031
Finance leases receivable/Instalment sale agreements	4	51,817,235	42,216,425
Cash resources		3,471,355	514,847
Taxation in advance		11,121,854	603,925
		<u>131,759,469</u>	<u>49,335,289</u>
Total assets		<u><u>2,226,255,966</u></u>	<u><u>1,705,010,530</u></u>
Equity and Liabilities			
Capital and reserves			
Share capital	6	100	100
Accumulated profits		<u>194,233,809</u>	<u>124,046,133</u>
		194,233,909	124,046,233
Non current liabilities			
Deferred tax liability	7	96,920,279	171,679,102
Long term debt instruments	8	1,002,238,542	-
Amount owing to holding company	9	-	339,999,900
Amount owing to group company	10	450,065,400	-
Current liabilities			
Accounts payable		34,659,301	19,479,944
Amount owing to group company	10	77,310,363	1,049,805,351
Short term loans payable	11	<u>370,828,172</u>	-
		<u>482,797,836</u>	<u>1,069,285,295</u>
Total equity and liabilities		<u><u>2,226,255,966</u></u>	<u><u>1,705,010,530</u></u>

Imperial Capital Limited
Income statement for the year ended 25 June 2006

	Note	2006 R	2005 R
Interest income		203,867,757	211,518,503
Interest expense		(139,349,019)	(98,790,867)
Net interest income		64,518,738	112,727,636
Gain on disposal of returned leased assets		44,628,819	51,838,143
Total income		109,147,557	164,565,779
Operating costs	12	(5,083,128)	(1,761,324)
Profit before taxation		104,064,429	162,804,455
Income tax expense	13	33,876,753	47,130,012
Net profit for the year		70,187,676	115,674,443

Imperial Capital Limited

Statement of changes in equity for the year ended 25 June 2006

	Share capital	Accumulated profits	Total
Balance as at 25 June 2004	100	11,304,690	11,304,790
Net profit for the year	-	115,674,443	115,674,443
Dividend declared and paid	-	(2,933,000)	(2,933,000)
<hr/>			
Balance as at 25 June 2005	100	124,046,133	124,046,233
Net profit for the year	-	70,187,676	70,187,676
<hr/>			
Balance as at 25 June 2006	100	194,233,809	194,233,909

Imperial Capital Limited
Cash flow statement for the year ended 25 June 2006

	Note	2006 R	2005 R
Cash flow from operating activities			
Cash generated from operations	14.1	51,008,900	34,908,325
Interest expense		(139,349,019)	(98,790,867)
Interest income		203,867,757	211,518,503
Taxation paid	14.2	(10,517,929)	(4,482,071)
Dividend paid		-	(2,933,000)
		<u>105,009,709</u>	<u>140,220,890</u>
Cash flow from investing activities			
Increase in finance lease receivables	14.3	<u>(557,057,642)</u>	<u>(878,243,998)</u>
Cash flow from investing activities		<u>(557,057,642)</u>	<u>(878,243,998)</u>
Cash flow from financing activities			
Net (decrease)/increase in amounts owing to group companies		(918,062,273)	738,528,463
Net increase in long term debt raised		1,002,238,542	-
Net increase in short term loan raised		370,828,172	-
		<u>455,004,441</u>	<u>738,528,463</u>
Cash flow from financing activities		<u>455,004,441</u>	<u>738,528,463</u>
Net increase in cash resource		2,956,508	505,355
Cash and cash equivalents at the beginning of the year		<u>514,847</u>	<u>9,492</u>
Cash and cash equivalents at the end of the year		<u>3,471,355</u>	<u>514,847</u>

Imperial Capital Limited

Notes to the annual financial statements for the year ended 25 June 2006

1 Accounting policy

The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent in all material respects with those applied in the previous year. The first-time adoption of IFRS for the 2006 financial year required no prior year adjustment.

1.1 Basis of preparation

The financial statements are stated in Rands and are prepared in accordance with and comply with International Financial Reporting Standards, effective for the company's financial year. The financial statements are prepared on the historical cost basis except for any financial instruments which are revalued.

1.2 Financial instruments

Financial instruments are initially measured at fair value plus transaction costs where applicable, when the company becomes a party to the contractual provisions of the contract. Subsequent to initial recognition these instruments are measured as set out below.

Loans receivable

Loans are recognised at the date that the amount is advanced.

At subsequent reporting dates they are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts.

Trade and other receivables

Trade and other receivables originated by the group are stated at nominal value as reduced by appropriate allowances for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at the balance sheet date.

Loans payable

Interest-bearing loans are initially recorded on the day that the loans are advanced at the net proceeds received.

At subsequent reporting dates interest-bearing borrowings are measured at amortised cost using the effective interest rate method. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on the accrual basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are stated at their nominal value.

Imperial Capital Limited

Notes to the annual financial statements for the year ended 25 June 2006 (Continued)

1.2 Financial instruments (Continued)

Derecognition

The company derecognises a financial asset when its contractual rights to the cash flow from the financial asset expire, or if it transfers the asset together with its contractual rights to receive the cash flows of the financial assets. The company derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

1.3 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Amounts due under finance leases are treated as instalment credit agreements.

1.4 Taxation

The charge for current tax is based on the results for the year as adjusted for items, which are non-assessable or disallowable. It is calculated using tax rates that have been substantively enacted at the balance sheet date.

1.5 Deferred taxes

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit.

In principal, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are raised only to the extent that their recoverability is probable. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company is able to and intends to settle its current tax assets and liabilities on a net basis.

1.6 Revenue recognition

Revenue arising from the rendering of services is recognised on the accrual basis in accordance with the substance of the agreement.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Imperial Capital Limited

Notes to the annual financial statements for the year ended 25 June 2006 (Continued)

2 Significant accounting judgements and estimates

The preparation of the financial statements requires the company's management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience, current and expected economic conditions, and in some cases actuarial techniques. Actual results could differ from those estimates.

The following accounting policies have been identified as involving particularly complex or subjective decisions or assessments:

Income taxes

The company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the balance sheet date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the company operates could limit the ability of the company to obtain tax deductions in future periods.

Contingent liabilities

Management applies its judgment to the fact patterns and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

3 Impact of new issued standards and interpretations

The following new or revised IFRS standards and interpretations have been issued with effective dates applicable to future financial statements of the company:

IAS 1 Amendment to International Accounting Standard 1 Presentation of Financial Statements: Capital Disclosures

The amendment requires the company to disclose information that will enable users of its financial statements to evaluate the entity's objectives, policies and processes of managing capital. The amendment first becomes applicable to the company in the financial year ending 25 June 2008.

Imperial Capital Limited

Notes to the annual financial statements for the year ended 25 June 2006 (Continued)

3 Impact of new issued standards and interpretations (continued)

IFRS 7 Financial Instruments: Disclosures

The IFRS essentially combines IAS 30 (Disclosure in The Financial Statements of Banks) and IAS 32 (Financial Instruments: Disclosure and Presentation). The standard first becomes applicable to the company in the financial year ending 25 June 2008, and is not expected to have any impact on the company.

IFRIC Interpretation 4: Determining whether an arrangement contains a lease

The interpretation deals with arrangements which may not take the legal form of a lease, but which on application of the interpretation could be lease agreements. This interpretation is expected to have implications on current arrangements and contracts of the company and could impact the assets recognised on the company's balance sheet and that of its customers. It is difficult to quantify the impacts currently, but the implications of the standard are being studied. The interpretation first becomes applicable to the company for the financial year ending 25 June 2007.

	2006 R	2005 R
4 Finance leases receivable/Instalment sale agreements		
Finance lease agreements	1,201,965,954	1,697,891,666
Instalment sale agreements	944,347,778	-
	<u>2,146,313,732</u>	<u>1,697,891,666</u>
Less Current portion	51,817,235	42,216,425
	<u>2,094,496,497</u>	<u>1,655,675,241</u>
<p>A master lease and instalment sale agreement is in place covering fleets of assets with fellow subsidiaries with the Imperial Holdings Limited Group. The agreement allows for the lessee to terminate each asset lease with one weeks notice. The rental charge is calculated by reference to the monthly depreciation charge on the vehicles plus interest on the outstanding balance of the finance lease receivable which bears interest at variable rates.</p>		
<u>Ageing</u>		
Less than one year	51,817,235	42,216,425
One to five years	1,914,394,981	1,611,698,364
More than five years	180,101,516	43,976,877
	<u>2,146,313,732</u>	<u>1,697,891,666</u>
Effective interest rates	9.45% - 10.45%	11.14% - 11.97%

There are no unguaranteed residual values as the lessee is responsible for any shortfall in residual values.

Imperial Capital Limited

Notes to the annual financial statements for the year ended 25 June 2006 (Continued)

	2006 R	2005 R
5 Amount owing by group company		
Imperial Group (Pty) Ltd	55,701,846	-
Imperial Car Rental (Namibia) (Pty) Ltd	-	69,061
	<u>55,701,846</u>	<u>69,061</u>
<p>The loan bears interest at current call rates and has no fixed repayment term.</p>		
6 Share capital		
Authorised and issued 100 ordinary shares of R1,00 each	<u>100</u>	<u>100</u>
7 Deferred tax liability		
Balance at beginning of the year	171,679,102	-
(Disposals) Acquisitions	(108,635,576)	124,632,369
Charge in the income statement	33,876,753	47,046,733
	<u>96,920,279</u>	<u>171,679,102</u>
Analysis of deferred tax:		
Transport Fleet	75,363,867	165,709,572
Vehicles for hire	21,556,412	5,969,530
	<u>96,920,279</u>	<u>171,679,102</u>
8 Long term debt instruments		
R 1 billion corporate bond	1,029,262,999	-
Less : Short term portion of interest accrued	27,024,457	-
	<u>1,002,238,542</u>	<u>-</u>
<p>The coupon rate is 8.50% and repayable on 31 August 2010. Interest is paid semi-annually.</p>		
9 Amount owing to holding company		
Imperial Holdings Limited	-	339,999,900

The loan bore no interest and had no fixed term of repayments.

Imperial Capital Limited

Notes to the annual financial statements for the year ended 25 June 2006 (Continued)

	2006 R	2005 R
10 Amount owing to group company		
Imperial Group (Pty) Ltd - Subordinated loan	450,065,400	-
Imperial Group (Pty) Ltd - Senior portion of inter group loans	77,310,363	1,049,805,351
	<u>527,375,763</u>	<u>1,049,805,351</u>
<p>The loan bears interest at current call rates and has no fixed repayment term. The subordinated loan can only be repaid once the interest bearing liabilities have been settled and is considered to be of a long term nature. The senior portion is repaid on demand and considered to be short term of nature.</p>		
11 Short term loans payable		
Commercial Paper	343,803,715	-
Current portion of long term debt	27,024,457	-
	<u>370,828,172</u>	<u>-</u>
12 Operating costs		
These are arrived at after charging:		
Audit Fees	104,699	56,900
Consulting fees	2,842,889	-
	<u>2,947,588</u>	<u>56,900</u>
13 Income tax expense		
SA normal tax	-	-
Deferred tax		
Current year	30,179,835	47,046,733
Prior year	3,696,918	-
Capital gains tax	-	83,279
	<u>33,876,753</u>	<u>47,130,012</u>
Reconciliation of tax rates:	%	%
Effective rate -	32.6	28.9
Taxation effect of:		
Prior year	(3.6)	-
Capital gains tax rate differential	-	0.1
Statutory rate	<u>29.0</u>	<u>29.0</u>

Imperial Capital Limited

Notes to the annual financial statements for the year ended 25 June 2006 (Continued)

	2006 R	2005 R
14.1 Cash generated from operations		
Profit before taxation	104,064,429	162,804,455
Adjusted for:		
Interest expense	139,349,019	98,790,867
Interest income	(203,867,757)	(211,518,503)
Movements in working capital	39,545,691	50,076,819
(Increase) in accounts receivable	(3,716,148)	(5,931,031)
Increase/(Decrease) in accounts payable	15,179,357	(9,237,463)
	<u>51,008,900</u>	<u>34,908,325</u>
14.2 Taxation paid		
Charge in income statement	(33,876,753)	(47,130,012)
Movement in taxation balance	(10,517,929)	(4,398,792)
Deferred tax charge	33,876,753	47,046,733
Payments made	<u>(10,517,929)</u>	<u>(4,482,071)</u>
14.3 Increase in finance lease receivable		
Movement in finance leases receivable	(448,422,066)	(1,002,876,367)
(Acquisition)/Disposals of deferred tax liability	(108,635,576)	124,632,369
	<u>(557,057,642)</u>	<u>(878,243,998)</u>
15 Related party transactions		
<u>Inter company balances</u>		
These are fully disclosed under notes 4,5,9 and 10		
<u>Inter company revenue</u>		
Interest income		
Imperial Group (Pty) Ltd	202,320,503	211,518,503
MCC Contracts (Pty) Ltd	320,215	-
Mutual Construction Company Transvaal (Pty) Ltd	17,920	-
	<u>202,658,638</u>	<u>211,518,503</u>
Interest expense		
Imperial Group (Pty) Ltd	<u>(88,814,357)</u>	<u>(98,790,867)</u>

Imperial Capital Limited

Notes to the annual financial statements for the year ended 25 June 2006 (Continued)

16 Financial instruments

Interest rate risk

This is the risk that fluctuations in interest rates adversely impact on the company's earnings, assets, liabilities and capital. The company is exposed to interest rate risk as it borrows and places funds at both fixed and floating rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings.

Credit risk

The company is exposed to interest rate risk as it borrows and places funds at both fixed and floating rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings. Credit risk is managed by having security of the underlying asset which are financed and by monitoring the repayment and any arrears.

Liquidity risk

This is the risk of not being able to generate sufficient cash to meet commitments to borrowers, depositors and other creditors at any point in time. The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.