

IPL IPLP

IPL

IPL/IPLP - Imperial Holdings Limited - Unaudited results for the half-year ended 31 December 2008

Imperial Holdings Limited

(Registration number 1946/021048/06)

Ordinary share code: IPL ISIN: ZAE000067211

Preference share code: IPLP ISIN: ZAE000088076

- Revenue unchanged
- Operating profit 30% lower
- HEPS 4% lower
- Cash generated by operations 241% higher to R2,0 billion
- A stronger balance sheet
- An interim dividend of 80 cents

Condensed income statement

Unaudited restated	Audited	Unaudited and		
for the six months ended	31 Dec	31 Dec	%	30 Jun
December	2008	2007	change	2008
	Rm	Rm		Rm
CONTINUING OPERATIONS				
Revenue	28 619	28 026	2	55 927
Net operating expenses	(26 824)	(25 867)		(51 849)
Profit from operations before depreciation and recoupments	1 795	2 159		4 078
Depreciation, amortisation and recoupments	(640)	(515)		(1 086)
Operating profit	1 155	1 644	(30)	2 992
Foreign exchange gains	470	14		145
Fair value (losses) gains to foreign exchange derivatives	(47)	7		1
Fair value losses on other financial instruments		(83)		(496)
Exceptional items	(246)	39		1
Profit before net financing costs	1 332	1 621	(18)	2 643
Net finance cost	(505)	(321)		(807)
Income from associates and joint ventures	87	83		278
Profit before taxation	914	1 383	(34)	2 114
Income tax expense	246	390		707
Profit from continuing operations	668	993	(33)	1 407
DISCONTINUED OPERATIONS	556	(1 308)		(1 920)
- Trading (loss) profit from operations	(4)	274		349
- Fair value profit (loss) on discontinuation	560	(1 582)		(2 269)
Net profit (loss) for the period	1 224	(315)		(513)
Attributable to:				
Equity holders of Imperial Holdings Limited	1 155	(500)		(870)
Minority interest - continuing operations	68	85		162
Minority interest - discontinued operations	1	100		195
1 224 (315)	(513)			
Earnings per share	Cents	Cents		Cents
Ordinary shares				
Basic				
- Total	602	(290)		(510)
- Discontinued operations	299	(758)		(1 139)
- Continuing operations	303	468	(35)	629
Diluted				
- Total	558	(246)		(420)

- Discontinued operations	268	(695)		(1 020)
- Continuing operations	290	449	(35)	600
Preferred ordinary shares				
- Basic	268	268		535
Headline earnings	Rm	Rm		Rm
reconciliation -				
continuing and				
discontinued operations				
Attributable profit (loss)	1 155	(500)		(870)
Attributable to preferred	(39)	(39)		(78)
ordinary shareholders				
Attributable to ordinary	1 116	(539)		(948)
shareholders				
Profit on disposal of	(6)	(33)		(24)
property, plant and				
equipment				
Impairment of property,	7	4		5
plant and equipment				
Exceptional items -	246	(39)		(1)
continuing operations				
Exceptional items included				
in income				
from associates				6
Exceptional items -	(650)	1 864		2 605
discontinued operations				
Taxation	90	(262)		(310)
Minorities	(2)			
Headline earnings - basic	801	995		1 333
Attributable to preferred	39	39		78
ordinary shareholders				
Headline earnings -	840	1 034		1 411
diluted				
Headline earnings per	cents	cents		cents
share				
Basic				
- Total	432	536	(19)	718
- Discontinued operations		86		103
- Continuing operations	432	450	(4)	615
Diluted				
- Total	406	510	(20)	680
- Discontinued operations	1	78		92
- Continuing operations	405	432	(6)	588
Additional information				
Net asset value per share	4 959	5 544		4 732
(cents)				
Number of ordinary shares				
(million)				
- in issue	188	189		188
- weighted average	185	186		186
- weighted average for	207	203		207
diluted earnings				
Number of other shares in				
issue (million)				
- Preferred ordinary	15	15		15
- Deferred ordinary	17	17		17
Net finance cost	Rm	Rm		Rm
Net interest paid	443	330		848
Foreign exchange loss on	133	50		376
monetary items				
Fair value gains on				
borrowings and				
interest rate swaps	(71)	(59)		(417)
Net finance cost -	505	321		807
continuing operations				
Net finance cost -	85	380		660
discontinued operations				
Exceptional items -	Rm	Rm		Rm
continuing operations				

Impairment of goodwill	(15)		(47)
(Loss) profit on disposal of investments in subsidiaries, associates and joint ventures	(14)	39	48
Loss on sale of Eqstra shares	(217)		
	(246)	39	1
Exceptional items - discontinued operations	Rm	Rm	Rm
Profit on sale of Tourvest	575		
Fair value gain (loss) on Aviation disposal group	75	(848)	(1 341)
Fair value loss on CVH disposal group		(972)	(972)
Goodwill impairment		(44)	
Net loss on sale of subsidiaries			(292)
Taxation	(90)	282	336
Fair value profit (loss) on discontinuation	560	(1 582)	(2 269)
Condensed balance sheet			

	2008	2007	2008	Unaudited 31 Dec	Unaudited 31 Dec	Audited 30 June
	at 31 December			Rm	Rm	Rm
<b>ASSETS</b>						
Intangible assets				1 084	997	897
Investments in associates and joint ventures				2 388	2 373	2 017
Property, plant and equipment				6 025	5 693	5 681
Transport fleet				3 722	3 136	3 465
Leasing assets				329	5 690	337
Vehicles for hire				1 472	1 449	1 286
Deferred tax assets				526	593	637
Other investments and loans				1 701	2 389	2 320
Other non-current financial assets				367	881	330
Inventories				6 052	7 717	6 442
Taxation in advance				97	120	111
Trade and other receivables				6 834	8 862	6 821
Cash resources				3 160	2 568	3 148
Assets classified as held for sale				1 478	5 300	4 440
Total assets				35 235	47 768	37 932
<b>EQUITY AND LIABILITIES</b>						
<b>Capital and reserves</b>						
Share capital and premium				10	241	10
Shares repurchased				(1 816)	(1 995)	(1 816)
Other reserves				834	1 171	1 273
Retained earnings				11 029	11 877	10 138
Attributable to Imperial Holdings` shareholders				10 057	11 294	9 605
Minority interest				543	1 009	811
Total shareholders` equity				10 600	12 303	10 416
<b>Liabilities</b>						
Non-redeemable, non-participating preference shares				441	441	441
Retirement benefit obligations				310	239	286
Interest-bearing borrowings				11 064	17 251	11 599
Insurance and investment contracts				1 529	1 604	1 535
Deferred tax liabilities				573	1 052	549
Other non-current financial liabilities				83	91	98
Trade and other payables				9 387	11 269	10 065
Current tax liabilities				608	1 049	586
Liabilities directly associated with assets held for sale				640	2 469	2 357
Total liabilities				24 635	35 465	27 516
Total equity and liabilities				35 235	47 768	37 932
Capital commitments				502	1 035	509
Contingent liabilities				535	771	595
Condensed cash flow statement						
Unaudited						

	Unaudited 31 Dec	and restated 31 Dec	Audited 30 June
2008			
2007			
2008			
for the six months ended December	Rm	Rm	Rm
Cash generated by operations before changes in working capital	2 535	3 419	6 077
Net working capital movements	(154)	(2 459)	(388)
Cash generated by operations	2 381	960	5 689
Cash generated by operations - continuing businesses	2 030	596	3 633
Cash generated by operations - discontinued businesses	351	364	2 056
Net financing costs	(528)	(701)	(1 426)
Taxation paid	(335)	(511)	(1 396)
Net cash flows from operating activities	1 518	(252)	2 867
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds (expenditure) from discontinued operations	1 301	(1 046)	3 123
- Sale of Tourvest	1 003		
- Sale of Safair Lease Finance	337		
- Net capital expenditure	(39)	(1 046)	(2 384)
-			
Net unbundling and disposal of subsidiaries and businesses			5 507
Proceeds (expenditure) from continuing operations			
-			
Net (acquisition) disposal of subsidiaries and businesses	(343)	58	(135)
- Expansion capital expenditure	(509)	(1 303)	(1 595)
- Net replacement capital expenditure	(664)	(470)	(1 017)
- Investments, equities and loans	315	(280)	680
Net cash flows from investing activities	100	(3 041)	1 056
CASH FLOWS FROM FINANCING ACTIVITIES			
Hedge cost of share options	(135)		(67)
Dividends paid	(555)	(113)	(225)
Capital distribution		(570)	(607)
Purchase of treasury stock net of transfers from share purchase trust			(10)
(Decrease) increase in long term borrowings	(225)	108	(1 165)
Net cash flows from financing activities	(915)	(575)	(2 074)
Net increase (decrease) in cash and cash equivalents	703	(3 868)	1 849

	Share capital and premium Rm	Shares repurchased Rm	Other reserves Rm	Retained earnings Rm
Condensed statement of changes in equity				
for the six months ended December				
Balance at 30 June 2008	10	(1 816)	1 273	10 138
Net (losses) gains arising on translation of foreign operations			(287)	
Movement in hedge accounting reserve			53	
Realisation of reserves on disposal of assets			115	
Transfer of reserves on disposal of assets			(242)	242
Net unrealised				

gains on investments				
Revaluation of Lereko Mobility call option			19	
Share option hedging cost			(135)	
Net (losses) profits not recognised in the income statement			(477)	242
Net attributable profit (loss) for the period				1 155
Minority share of attributable profits				
Net decrease in minority interest				
Contingency reserve created in terms of the Insurance Act			6	(6)
Unbundling of the Leasing and Capital Equipment division				
Movement in share-based equity			32	
Purchase of ordinary shares				
Share issue expenses				
Dividends and capital distributions				(500)
Minority share of dividends				
Balance at 31 December 2008	10	(1 816)	834	11 029

(... continued)

Condensed statement of changes in equity	2008			
	Minority interest	Unaudited 31 Dec 2008	Unaudited 31 Dec 2007	Audited 30 Jun
	Rm	Rm	Rm	Rm
2008 for the six months ended December				
Balance at 30 June 2008	811	10 416	13 467	13 467
Net (losses) gains arising on translation of foreign operations	(2)	(289)	(30)	234
Movement in hedge accounting reserve	(4)	49	(32)	30

Realisation of reserves on disposal of assets		115		
Transfer of reserves on disposal of assets				
Net unrealised gains on investments				167
Revaluation of Lereko Mobility call option		19		(238)
Share option hedging cost		(135)	4	(62)
Net (losses) profits not recognised in the income statement	(6)	(241)	(58)	131
Net attributable profit (loss) for the period		1 155	(500)	(870)
Minority share of attributable profits	69	69	185	357
Net decrease in minority interest	(276)	(276)	(3)	
Contingency reserve created in terms of the Insurance Act				
Unbundling of the Leasing and Capital Equipment division				(1 722)
Movement in share-based equity		32		(5)
Purchase of ordinary shares			(104)	(109)
Share issue expenses			(1)	(1)
Dividends and capital distributions		(500)	(570)	(607)
Minority share of dividends	(55)	(55)	(113)	(225)
Balance at 31 December 2008	543	10 600	12 303	10 416

#### Material acquisitions

The group did not make any individual acquisitions that are considered material to the group results. The following amounts are disclosed:

acquisition	Purchase consideration	Fair value of net assets	Goodwill	Contribution since Revenue	Profit before
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		acquired			tax
Rm	Rm	Rm	Rm	Rm	
New	180	150	30	277	14

acquisitions

#### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

##### 1. Basis of preparation

The unaudited condensed consolidated interim financial information ("interim financial information") announcement for the six months ended 31 December 2008 was prepared in accordance with IAS 34 - Interim Financial Reporting and in compliance with the listing requirements of the JSE Limited and the South African Companies Act (1973).

The accounting policies are consistent with those of the previous financial period and comply with International Financial Reporting Standards (IFRS). These financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements as at and for the period ended 30 June 2008. These financial statements have not been reviewed or audited by the group's auditors.

The condensed consolidated financial statements were approved by the board of directors on 24 February 2009.

##### 2. Discontinued operations

The following have been identified as disposal groups:

Aviation division, excluding NAC, sale concluded in December 2008

Assets of Commercial Vehicle Holdings (CVH) are being realised

Tourvest, a previously JSE-listed entity, was disposed of in September 2008

Leasing and Capital Equipment division, was unbundled in May 2008

Imperial Multiparts (UK), was disposed of in May 2008

All associated assets and liabilities have been classified as discontinued operations.

The 31 December 2007 income statement and segment reports have been restated for the additional discontinuation of the Leasing and Capital Equipment division and Imperial Multiparts (UK). The impact on revenue and operating profit is as follows:

Operating

	Revenue Rm	profit Rm
As stated before - continuing	31 670	2 300
Adjusted for:		
- Leasing and Capital Equipment	(3 314)	(635)
- Imperial Multiparts (UK)	(564)	(21)
- Eliminations	234	
Restated	28 026	1 644

#### OVERVIEW OF RESULTS

The results for the first half of our 2009 financial year are disappointing, but when viewed against the extremely difficult trading conditions in our automotive related businesses, the group's performance was reasonable, given the strong performance by the Logistics Division and good cash generation.

Group operating profit of R1 155 million from continuing operations was 29,7% lower than the comparative period, and headline earnings per share (HEPS) from continuing operations were 4,0% lower at 432 cents. Cash generated by continuing operations improved by 241% to R2 030 million for the six months.

HEPS include a foreign exchange gain of R394 million (212 cents per share) which was earned from the repatriation of capital from our European operations.

Excluding the effect of this item, continuing HEPS would have been 51,1% lower than the previous period. The decline stemmed primarily from the motor vehicle retailing operations and declines in the market value of the equity portfolios of the insurance division.

The group's logistics operations in southern Africa and in Europe performed well, returning growth in operating profit of 13,6% and 9,1% respectively, while operating profit from the motor vehicle retailing and distribution businesses suffered and were 48,8% lower on a combined basis. Insurance operating profit was 61,9% down, mainly due to the weak equity markets. Car rental and tourism was 12,4% down at the operating level.

Revenue was 2,1% higher at R28,6 billion, although the combined motor retail businesses posted a 6,5% reduction in revenue and the combined logistics

operation increased revenue by 17,4%. The operating margin from continuing operations declined from 5,9% to 4,0%, mainly due to the vehicle retailing operations, which contributed 58% of group revenue, but only 29% of group operating profit. Operating margins in logistics were largely maintained while margins in the car rental division were slightly down.

Net finance charges on continuing operations were 57,3% higher at R505 million. The main contributor to the increase is the fact that, in the comparative period, interest was recovered on all the funding to the discontinued operations, whereas in this period, interest was only recovered from discontinued operations on the recoverable portion of such funding, which was R1,7 billion lower. Fair value adjustments on interest rate swaps and higher interest rates also contributed to the increase.

Income from associates was marginally higher but included a 38,8% decline in the contribution from Imperial Bank to R78 million. The contribution from Imperial Bank is viewed as satisfactory in a very challenging banking environment. Negative fair value adjustments were made in Ukhamba Holdings on its equity holdings in Eqstra Holdings Limited (Eqstra) and Distribution and Warehousing Network Limited. No losses were recognised in the current period from the Renault joint venture.

Earnings per share (EPS) amounted to 602 cents compared to a loss of 290 cents. The following exceptional items affected EPS:

The current period included the profit on the disposal of Tourvest of R485 million (261 cents),

A loss of R217 million (117 cents) on the disposal of ordinary shares in Eqstra which were received on the unbundling of Eqstra in respect of Imperial treasury shares.

Inclusion in the comparative period of a provision for losses on the sale of the bulk of the aviation division of R848 million (456 cents), and

A provision for losses on the discontinuation of the commercial vehicle assembly and distribution business, Commercial Vehicle Holdings (CVH) of R690 million (371 cents).

Net interest-bearing debt (excluding preference shares) at R7,9 billion is significantly lower than the R14,7 billion at December 2007, and shows a reduction of R547 million from the level at June 2008. Traditionally, debt levels are seasonally high in December. Net gearing stands at 74,6% compared to 119,3% at December 2007 and 81,1% at June 2008. R1?003 million and R337 million were received on the disposals of Tourvest and the aviation business respectively and R227 million was received on the disposal of Eqstra shares.

Business conditions in our markets

Trading conditions in the motor retail market were extremely tough throughout the period, and deteriorated further towards the latter part. High interest rates added to the increased cost of living to make the affordability of vehicle purchases difficult for consumers. In addition, in the latter half of the period, banks began to limit their lending in response to the global financial crisis. Volumes and margins in the motor retail and distribution businesses were adversely affected as a significant portion of overhead costs in these businesses is fixed. The used car market proved to be more resilient than the new car market.

Lower vehicle sales also reduced the premium flow in the group's insurance businesses in addition to the pressures on profitability brought about by the introduction of the National Credit Act 18 months ago, as well as the weak equity markets.

Although there was a slowdown in some sectors of our Southern African Logistics division, business volumes generally held up well, especially in the fast-moving consumer goods (FMCG) sector. Lower fuel prices assisted margins and helped to ease the cost pressure for our customers.

Whilst trading conditions for our European Logistics business were strong during the earlier part of the period, conditions became very challenging during December particularly where we are exposed to heavy industries and motor vehicle manufacturing.

The tourism and travel market was tough and had a negative effect on our car rental operations. The global financial crisis resulted in fewer foreign tourists visiting the country.

Discontinued operations

Major restructuring was undertaken during 2008 and was concluded during the period with the sale of the aviation division becoming unconditional.

Discontinued operations now consist of the remaining gross assets of the aviation division and CVH of R852 million and R626 million respectively. Since June 2008 gross aviation assets reduced by R626 million and assets in CVH by R726 million. The investment in and loan to Tourvest were sold and collected.

Liabilities associated with discontinued operations reduced by R17717 million to R640 million. We expect that by the end of the financial year, the sale of the CVH assets will be close to completion and that a further approximately R150 million of the aviation assets will have been sold or realised. The balance of the aviation assets will be realised over the next five years. Acceptable returns are being earned on the carrying values of the remaining aviation assets.

#### Balance sheet

Gross assets declined by R2,7 billion since June 2008. The bulk of the decline was in the discontinued operations where the assets of Tourvest, as well as the aviation and CVH assets were reflected. Inventories declined by R390 million and accounts receivable remained stable. However, trade payables and provisions for liabilities declined by R678 million. Investments and loans declined by R619 million, mainly due to the drop in the value of equity investments in the insurance division as well as divestments from the portfolios.

The group invested a further R225 million of capital into Imperial Bank to support its growth and to align capital adequacy closer to the requirements of Basel 2.

#### Cash flow

Cash generated by operations more than doubled to R27381 million which included R2 030 million from continuing operations. The improvement can mainly be attributed to better working capital management. A further R1 340 million in cash was received from the sale of Tourvest and the aviation division.

Net capital expenditure of R1 173 million was incurred compared to R1 773 million in the corresponding period. R509 million (2007: R1 303 million) represented expansion capital expenditure. All divisions contributed to the decrease in capital expenditure. The major part of the decline in expansion capital expenditure occurred in the vehicle retailing operations where new investment in dealership properties was curtailed and in the car rental division where the strategy of slower replacement of vehicles for the Tempest fleet was implemented.

The proceeds from the disposal of investments, including the disposal of equities in the insurance portfolios and the disposal of shares in Eqstra amounted to R315 million.

Dividends, repayment of long-term borrowings and hedging costs amounted to R915 million.

#### Vehicle sales

In southern Africa, the group retailed 297005 new and 267069 used vehicles, respectively 65,5% and 81,4% of last year's sales. The closure of several used car dealerships contributed to the decline in used vehicle sales. The group further sold 7 111 new vehicles to outside dealers as a distributor, a 26,6% decrease over last year. The Australian, Swedish and United Kingdom operations sold 6 295 new and 2 162 used vehicles, respectively 106,8% and 87,3% of last year's sales.

#### Expansion of the group during the year

The only sizeable acquisition during the period was the acquisition of Hansmann, a logistics provider to Volkswagen in Wolfsburg in Germany. In the Southern African Logistics division, Tip Trans, a transporter of bulk materials was acquired, as well as the minority shareholdings in Liebentrans, Beekman Canopies in the motor dealerships division and SA Warranties in the insurance division.

#### DIVISIONAL REPORTS

##### Logistics

##### Southern African Logistics

	2008	2007	%
Revenue	5 308	4 618	14,9
Operating profit	418	368	13,6
Operating assets	6 572	6 791	(3,2)
Operating margin	7,9%	8,0%	

The Southern African Logistics division performed well by limiting the decline in its margins and strongly growing its revenue. The division's high exposure to the FMCG market stood it in good stead, as this segment has proven to be less affected by the serious economic downturn which we currently experience. The division has a well balanced portfolio of businesses which can benefit from changing spending patterns towards more affordable products.

The division has a limited exposure to the transportation of mining produce and containers, which declined sharply. However, our exposure to weaker import and export volumes, steel, cement, industrial chemicals and residential building materials, is larger and began to affect us in the latter part of the reporting period. We expect weak conditions to continue for the foreseeable future.

Capital expenditure in the division was lower than last year and working capital

management has improved.

#### International Logistics

	2008	2007	%
Revenue	4 686	3 898	20,2
Operating profit	204	187	9,1
Operating assets	4 138	3 055	35,4
Operating margin	4,4%	4,8%	

These results compare to a seven-month trading period in the comparative period. Trading conditions started well for our European operations but deteriorated markedly during December, especially in the steel and automotive sectors, which comprise a significant part of our customer base. Some auto plants were closed for up to four weeks over December and January and an important steel producing customer brought forward the scheduled maintenance on half of its plant to reduce its output.

The new acquisitions in automotive pre-assembly and parts supply as well as inland waterway shipping on the Danube performed well.

Whilst freight volumes in containers, dry bulk and manufactured materials such as steel and paper are currently well down on last year, some new markets are being entered. The difficult trading environment is also bringing new expansion and acquisition opportunities as competitors are weakened.

#### Car Rental and Tourism

	2008	2007	%
Revenue	1 337	1 362	(1,8)
Operating profit	163	186	(12,4)
Operating assets	2 224	2 232	(0,4)
Operating margin	12,2%	13,7%	

The decline in profits is largely due to weaker demand and lower fleet utilisation, especially in the foreign tourist market. Our relatively low exposure to this market shielded the division from further weakness. The used car market is also depressed due to an oversupply of used cars and a lack of adequate bank funding. However, our extensive infrastructure to retail fleet vehicles stood us in good stead in maintaining acceptable margins in the used car business.

Rental rates held up to cover cost increases and accident and theft losses reduced. The tourism operations of Springbok Atlas and the coach touring businesses in Namibia grew profits despite an increase in bad debts.

Demand for car rental services is benefiting from the infrastructure building process and preparation for the FIFA world Cup. Conferencing and upcoming sports events, the Confederation Cup and Lions rugby tour will further support demand for car rental and coach chartering operations.

Despite some positive factors in the second half of the year, we expect trading conditions to remain tough and we expect little or no uplift in used car sales and margins.

#### Distributorships

	2008	2007	%
Revenue	7 061	7 754	(8,9)
Operating profit	182	427	(57,4)
Operating assets	6 869	6 925	(0,8)
Operating margin	2,6%	5,5%	

The results of Associated Motor Holdings were severely affected by the state of the motor market and the exchange rate. Wholesale unit sales were 26,6% down on the corresponding period and retail units were 41,5% down. Decisive measures are being taken to correct the cost base for current conditions which led to the closure of 17 sales outlets and a reduction in staff by approximately 800 people. Administration departments were rationalised where possible. The bulk of the related closure costs were incurred during the period.

Trading conditions in our joint venture with Renault were also difficult, and we agreed to advance a secured shareholder loan of R75 million to Renault SA.

Sales in the Australian Ford dealerships have increased, but assisted by large car rental orders at low margins. The Australian operation returned a profit, but was boosted by a R25 million recovery of VAT which was previously expensed.

National Airways Corporation (NAC), the general aviation sales and service operation traded well and improved its profit, assisted by improved efficiencies and the weaker rand. Inventories and working capital were reduced.

The auto parts business housed in this division effected a turnaround from a loss last year. However, further improvements in volumes and margins are required to achieve ongoing acceptable returns.

The division will remain under pressure from the depressed motor vehicle market, the weaker rand and a steep reduction in demand for privately owned aircraft.

#### Dealerships

	2008	2007	%
Revenue	9 496	9 958	(4,6)
Operating profit	151	223	(32,3)
Operating assets	5 288	5 055	4,6
Operating margin	1,6%	2,2%	

Maintaining the operating margin at 1,6% in current conditions was satisfactory. The drop in profit can be ascribed to the cost base which cannot be reduced in line with lower sales volumes. Parts, accessories and workshop operations improved and grew their gross profits.

The focus remains on operational improvements and cost control, although significant closure costs were incurred during the period. While nine unprofitable outlets were closed, the dealer portfolio is constantly being improved through rationalisation and modest expansion into areas which offer better trading prospects.

The lower demand for vehicles was exacerbated later in the period by banks reducing lending to the consumer market.

The performance of the commercial vehicle segment was good, where we expanded capacity. Medium and heavy commercial vehicle sales held up well in the first half of the period. However, sales also began to decline later in the period. The DAF and LDV truck dealerships in the UK are under close scrutiny as that economy is currently being hard hit by the credit crunch. DAF is the leading commercial vehicle brand in Europe.

The Nissan dealerships in Sweden performed satisfactorily.

#### Insurance

	2008	2007	%
Revenue	1 454	1 317	10,4
Operating profit	77	202	(61,9)
Operating assets	3 925	4 185	(6,2)
Operating margin	5,3%	15,3%	

Negative fair value adjustments in the share portfolios of the division amounted to R110 million (2007: R5 million) due to the weak performance of equity markets.

Regent Insurance increased its underwriting result by 17,0% to R87 million, following strong contributions from commercial and heavy commercial vehicles as well as credit shortfall products. The result from passenger and light commercial vehicle comprehensive insurance was disappointing.

The Regent Life group incurred an underwriting loss of R27 million, which included an underwriting profit of R26 million from its Botswana unit. We do not believe the results from Botswana to be sustainable at its current exceptionally strong level. The poor performance by the life assurance segment was caused by several factors, including new business strain in the build-up of the monthly premium book following the introduction of the National Credit Act (NCA), which terminated the writing of single premium business. The comparative period benefited from a higher release of profit from the single premium book than the current period. New business strain is also being experienced in the individual life book. The combined effect of these factors amounted to approximately R50 million. Credit life policy surrenders continued to be high, although lower than the previous period.

At our previous reporting date we indicated that the recovery of our insurance division will take some time. We are satisfied with the progress made subsequent to the restructuring of this business and after the merger of the two entities. Restructuring costs were incurred during the period, but we expect long term savings to be achieved.

In order to reduce the volatility in the insurance division's results, we decided early in the financial year to commence reducing the exposure to equities in a gradual process.

#### Skills development and corporate social investment

Imperial Holdings has made a significant commitment to the development of our staff as we believe it will ensure sustainable high levels of performance by our group and advance previously disadvantaged employees. Technical training and leadership initiatives in the group progressed further during the period and the second motor apprentice technical training facility of the group is due for completion in Germiston in May this year at a cost of R24 million. This facility will provide apprentice training for petrol, diesel as well as motorbike mechanics. It will also act as an accredited trade test centre for the industry at large. Despite the downturn in the motor industry a shortage of fully trained technicians still exists in our industries and these initiatives will make a meaningful contribution in this field. We have also introduced a comprehensive management development programme for the automotive retail businesses of the group with a high participation level from black middle management. The

programme will equip managers to meet the challenges in the motor industry. Our educational programmes are aligned to MERSETA requirements in order to gain maximum recognition through the National Qualifications Framework (NQF). Driver training, health and road safety is of paramount importance to our group because we are significant users of our roads. Through our associate company Ikaheng, we train approximately 370 drivers per annum. We project manage and sponsor a large number of roadside wellness centres and mobile clinics throughout southern Africa.

The Imperial Ukhamba Community Development Trust is the group's flagship community development initiative focusing on primary education in poor areas. It supports three schools in under-privileged parts of Gauteng and has spent over R11 million at these schools. The projects have achieved significant progress in terms of numeracy and supports 37300 learners in terms of curriculum development, textbooks, teacher training and the construction of much needed infrastructure.

#### Dividend

An ordinary dividend of 80 cents per share has been declared at the interim stage. The amount of the final dividend will be considered at the time with due regard to all the prevailing circumstances.

#### Strategic intentions

Following the restructuring concluded last year, the re-balancing of our portfolio and optimal capital allocation are currently receiving attention. The disposals of Tourvest and aviation and the unbundling of Eqstra have rendered the group stronger but more cyclical than before. It also raised the prominence of the motor vehicle retailing component, which increased the potential volatility in earnings and our exposure to economic cycles which are outside of the board's control.

The board approved a strategy to limit the group's relative exposure to the motor retailing industry. Whilst no divestitures from the motor portfolio are planned, further investments in the logistics industry and selected areas in the tourism industry will be favoured.

The board will also assess the capital adequacy of the group throughout this turbulent period while balancing shareholder remuneration, growth and financial prudence. We have no capital market redemption obligations before August 2010 and we have substantial long term undrawn liquidity facilities available. Under the current unpredictable economic conditions, the board regards the importance of the group's ongoing financial strength and liquidity as paramount.

#### Prospects

The depth and duration of the global economic crisis is uncertain. The impact of the crisis is currently more pronounced in the USA, the UK and continental Europe than in South Africa, but a further decline in the positive growth in the South African economy is likely. Under such circumstances, the difficult trading that we are currently experiencing in the majority of our divisions will certainly continue until confidence in economic prospects return. The recent 150 basis point reductions in the prime lending rate will relieve pressure on the financial health of consumers, as will the reduction in the fuel price. However, we do not believe that a recovery in new vehicle sales will occur in the near future.

Extremely weak conditions are being experienced in Europe and will continue for the remainder of the year. Although more resilient due to its FMCG exposure, our Southern African Logistics business is also expected to experience a softening in many of its markets. Industrial action is expected in the transport sector, which could have a negative effect on earnings in the division.

We expect that the underwriting results of our short term insurance unit will remain healthy, while a return to acceptable underwriting results in the life company will take more time.

Whilst elements of the car rental and tourism division are exposed to weak sectors such as local and foreign tourist volumes, as well as the weakening domestic economy, we expect that events such as the Confederations Cup, the Lions rugby tour and the 2010 FIFA world Cup would support the division's performance.

When normality returns to global financial markets and the real economy, Imperial will be well positioned to take early advantage of an upswing, as our cost base has been well trimmed without the loss of operating capacity. In view of the aforesaid, we believe that the second half of our financial year will be more difficult than the first half.

#### Forward looking statements

To the extent that any information provided may be of a forward looking nature, such information has not been reviewed or reported on by the auditors in terms of either paragraph 3.4 (b)(vi)(1)(aa) or paragraph 3.4 (b)(vi)(1)(bb) of the

Listings Requirements.

By order of the board

T Gcabashe, Chairman

H Brody, Chief Executive

AH Mahomed, Financial Director

Declaration of distributions

Preference shareholders and ordinary shareholders

Notice is hereby given that:

- a preference dividend of R5,8171 per preference share has been declared payable to holders of non-redeemable, non-participating preference shares; and
- an ordinary dividend in an amount of 80 cents per ordinary share has been declared payable to ordinary shareholders.

The company has determined the following salient dates for the payment of the preference dividend and ordinary dividend:

2009

Last day for preference shares and ordinary shares

respectively to trade cum preference dividend and

cum ordinary dividend respectively

Friday, 20 March

Preference and ordinary shares commence trading

ex preference dividend and ex ordinary dividend respectively

Monday, 23 March

Record date

Friday, 27 March

Payment date

Monday, 30 March

Share certificates may not be dematerialised/rematerialised between Monday, 23 March 2009 and Friday, 27 March 2009, both days inclusive.

On Monday, 30 March 2009, amounts due in respect of the preference dividend and the ordinary dividend will be electronically transferred to the bank accounts of certificated shareholders that utilise this facility. In respect of those who do not, cheques dated 30 March 2009 will be posted on or about that date.

Shareholders who have dematerialised their shares will have their accounts, held at their CSDP or broker, credited on Monday, 30 March 2009.

In terms of the Exchange Control Regulations of the Republic of South Africa, cash payments based on emigrants' shares controlled in terms of the Exchange Control Regulations will be forwarded to an authorised dealer in foreign exchange controlling their blocked assets. The elections by emigrants for the above purpose must be made through the authorised dealer in foreign exchange controlling their blocked assets. Payments due to non-residents are freely transferable from the Republic.

Preferred ordinary shareholders (unlisted)

Notice is hereby further given that a dividend of 267,5 cents per preferred ordinary share has been declared and is payable to preferred ordinary shareholders recorded in the registers of the company at the close of business on Thursday, 26 March 2009.

On Friday, 27 March 2009 the dividend will be electronically transferred to the bank accounts of preferred ordinary shareholders.

On behalf of the board

RA Venter

Group Company Secretary

25 February 2009

For segmental information please go to our website at [www.Imperial.co.za](http://www.Imperial.co.za)

Non-executive directors

TS Gcabashe (Chairman), S Engelbrecht, P Langeni, MJ Leeming,

AH Mahomed, GW Riemann (German)

Company Secretary

RA Venter

Business address and registered office

Imperial Place, Jeppe Quondam, 79 Boeing Road East, Bedfordview, 2007

Share transfer secretaries

Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001

Sponsor

Merrill Lynch SA (Pty) Limited, 138 West Street, Sandown, Sandton, 2196

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