

# FINANCIAL DIRECTOR'S REPORT



**Hafiz Mahomed** Financial director

**STRONG FOCUS WAS PLACED ON CASH AND LIQUIDITY MANAGEMENT DURING THE YEAR WITH GREAT SUCCESS, AS EVIDENCED BY THE SIGNIFICANT REDUCTION IN NET DEBT AND THE EXTENT OF UNUTILISED FACILITIES.**

## IN THIS SECTION:

- ▶ Review of income statement
- ▶ Discontinued operations
- ▶ Dividend
- ▶ Review of the balance sheet
- ▶ Review of the cash flow
- ▶ Post year-end sale of Imperial Bank
- ▶ Contingent liabilities
- ▶ Treasury management
- ▶ Imperial Capital
- ▶ Ukhamba share conversion

### Review of income statement

Revenue at R52,2 billion and operating profit at R2 453 million were 7% and 16% lower respectively, reflecting declining profits in the predominantly motor vehicle-retailing divisions, Dealerships and Distributorships, which combined returned a 13% decline in revenue and a 34% decline in operating profit. Revenue in the rest of the group rose by 3% and operating profit declined by 4%.

Revenue from our services activities grew to R21,7 billion which constitutes 42% of total revenue, demonstrating the magnitude of this important part of our operations.

The group's logistics operations in Europe performed well in the first half, but the global financial crisis caused a drastic decline in logistics volumes in the second half. Revenue in Europe in the first half was 20% higher year on year but 23% lower in the second half, leading to a 21% decline in operating profit for the year.

The southern African logistics business was less affected, as second-half revenue and operating profit declined by only 12% and 2% respectively.

In the car rental and tourism division, operating profit declined by 8% in a tough

year, while the insurance division performed well, increasing its operating profit by 39% as underwriting profits recovered.

Cash generated by continuing operations increased by 43% to R5 187 million and debt levels declined substantially. Net debt (excluding non-redeemable preference shares of R441 million) amounted to R5 139 million compared to R8 451 million a year ago, a decline of 39%.

Income from associates declined by 62% to R107 million. Last year's income included a once-off gain of R70 million through Ukhamba Holdings from the unbundling of Eqstra Holdings. This year the contribution from Ukhamba was further affected by lower profits from its 32,4% interest in Distribution and Warehousing Network Limited. Our share of Imperial Bank's earnings declined by 39% to R126 million. This associate (49,9% held) recorded a sharp increase in impairment charges as a result of the weak economy, especially in the second half. Imperial Bank's total assets grew by 17% to R51,2 billion over the year. The results of the Renault joint venture improved, although it is still loss-making. The loss was not recognised in the income statement as our investment in Renault has already been fully impaired.



for more information please visit  
[www.imperial.co.za/ar2009/reports/fd\\_report.asp](http://www.imperial.co.za/ar2009/reports/fd_report.asp)

Net finance charges from continuing operations increased by 14%. Against lower interest rates and lower debt levels, which had a positive impact in the second half, the charge was negatively impacted by fair value losses of R61 million (2008: profit R41 million) on interest rate swaps and a lower recovery from discontinued operations compared to the prior year due to the reallocation of capital.

Included in headline earnings per share (HEPS) for 2009 was a foreign exchange gain realised on repatriating some of the capital of our European operations of 212 cents per share (R394 million). Our offshore businesses serve as a natural hedge against currency weakness and capital is repatriated from time to time. The gain in the prior year from the same source was R150 million.

The tax rate of 32% includes secondary tax on companies, disallowable expenses relating to goodwill impairments and the loss on the sale of Eqstra shares, offset by exempt income and prior-year overprovisions. A detailed reconciliation of the tax rate is given in note 32 to the group annual financial statements.

Significant non-trading items included in HEPS in 2008 included a foreign exchange gain of 81 cents (R150 million), a gain through associate company Ukhamba Holdings on unbundling Eqstra of 38 cents (R70 million), and impairment losses on the vendor loan to Lereko Mobility and the share trust loan of 166 cents and 98 cents (R308 million and R182 million) respectively.

Earnings per share (EPS) was 776 cents compared to a loss of 510 cents in 2008. HEPS for continuing operations was 13% higher than last year at 698 cents. Exceptional items recognised in EPS (but not in HEPS) in 2009 included the profit on the disposal of Tourvest of 285 cents (R529 million), a loss of 117 cents (R217 million) on the disposal of Eqstra shares and impairment of goodwill amounting to 105 cents (R194 million). The main contributors to the goodwill impairment charge were Gillhuber, Laabs and Lex

Commercials in the international operations, the Imperilog group, caravan manufacturer and distributor, Jurgens, and a number of smaller entities locally. While we regard these businesses as sound, their carrying values were adjusted in accordance with their cash flow expectations under the current difficult economic conditions.

EPS in the comparative period was impacted by negative fair value adjustments on the sale of the bulk of the aviation division of 688 cents (R1 276 million) and 378 cents (R701 million) on the discontinuation of the commercial vehicle assembly and distribution business, Commercial Vehicle Holdings.

### Discontinued operations

Net income from discontinued operations was R508 million, consisting of trading

profits of R24 million and fair value profits of R571 million largely from the disposal of Tourvest and a tax charge of R87 million.

Assets classified as held for sale amounted to R950 million compared to R1 478 million in December 2008 and R4 440 in June last year. The assets held for sale in 2009 comprised aviation assets of R703 million and R247 million of commercial vehicle assets related to the closure of Commercial Vehicle Holdings.

Details of the discontinued operations are given in note 16 to the group annual financial statements.

### Dividend

A final ordinary dividend of 120 cents per share has been declared, which brings

### Financial ratios and statistics

	2009	2008
EBITDA to revenue (%)	7,2	7,3
Net interest covered by EBITDA (times)	4,1	5,1
Interest cover by operating profit (times)	2,7	3,7
Depreciation to revenue (%)	2,5	2,1
Operating margin (%)	4,7	5,3
Profit before exceptional items to revenue (%)	4,0	3,8
Tax rate (%)	32,1	38,5
Return on invested capital (%)	10,61	10,85
Return on average equity (%)	13,7	12,0
Net debt to equity (preference shares treated as debt) (%)	53,9	85,4
Net debt to EBITDA (times)	1,5	2,2
Equity to total assets (%)	31,1	27,5
Operating profit to operating assets (%) *	9,0	9,9
Distributions during the year (cents per share)	200	245
Headline earnings per share (cents) *	698	615
Basic earnings per share (cents) *	503	629
Price earnings ratio (times) *	8,2	7,3
Earnings yield (%) *	12,2	13,6
Net asset value per share (cents) *	4 820	4 732

\* Continuing operations only

## FINANCIAL DIRECTOR'S REPORT CONTINUED...

the total ordinary dividend for the year to 200 cents per share. A preferred ordinary dividend of 535 cents per share was paid for the year.

### Review of the balance sheet

Total shareholders' equity was stable year on year at R10,4 billion.

Net working capital declined by R1 311 million over the year to R1 887 million. This amounted to 3,6% of revenue compared to 5,7% last year.

The equity portfolio of the insurance division was significantly reduced to address volatility in earnings caused by this asset class. This contributed to a reduction in investments and loans of R1 184 million. The levels of fixed assets, transport assets and vehicles for hire grew by less than 10% in aggregate. We have assessed our property portfolio and believe that the market value exceeds book value by some margin.

The share purchase trust loan totalling R177 million has not been further impaired except for the interest accrued during the year. The board has resolved to use the impairments raised to facilitate settlement of outstanding loans after disposal of the scheme shares. Participants in the scheme, excluding executive directors, would consequently have no further rights or obligations in terms of the scheme. Executive directors would be required to settle loan obligations from the proceeds of a special share appreciation rights allocation made this year. It is not anticipated that there will be any further impairment required.

The ratio of net debt (excluding non-redeemable preference shares) to equity was 50% compared to 81% last year and 75% at the interim stage. During the year, R1 003 million and R337 million were received on the disposals of Tourvest and the aviation business respectively, and R227 million on the disposal of Eqstra shares.

In December 2008, Moody's Investor Services held the view that the trading environment in

which Imperial operates was likely to have a significant negative impact on the group. Consequently Moody's downgraded the group's long-term rating to Baa3 from Baa2 and maintained a negative outlook. The group's domestic long-term national scale issuer rating was also downgraded to A2.za from A3.za, however the short-term national scale rating was left unchanged at P-1.za.

The group participates in the commercial paper market and roll-overs during the year were achieved without any difficulty.

Two corporate bonds totalling R2 billion mature in August and November 2010. Depending on market conditions, we intend to replace these bonds with longer-dated issues. The group has unutilised facilities in excess of R10 billion, of which R4 billion represents term facilities longer than one year. All outstanding debt that matures in less than a year is adequately covered by unutilised facilities.

### Review of the cash flow

Strong focus was placed on cash and liquidity management during the year with great success, as evidenced by the significant reduction in net debt and the extent of unutilised facilities. We believe further improvement in working capital levels will be more difficult to achieve as potential for growth is beginning to emerge.

Cash generated by continuing operations increased by 43% to R5 187 million. Discontinued operations contributed R566 million (2008: R2 056 million). Total positive working capital movements contributed R1 429 million (2008: negative R388 million) of which R408 million can be attributed to discontinued operations.

The proceeds of the disposal of discontinued operations amounted to R1 418 million, including R1 003 million from the Tourvest disposal. R337 million was collected on the sale of the aviation division.

Net capital expenditure was 33% lower at R1 755 million, the reduction being attributed to expansion capital expenditure which

was R955 million lower at R640 million. Replacement capital expenditure was maintained at R1 115 million (2008: R1 017 million). All divisions reduced their net capital expenditure.

The free cash flow was up from R1 850 million to R2 938 million. The cash conversion ratio was 221% (of headline earnings).

### Post year-end sale of Imperial Bank

Imperial and Nedbank Group have agreed, that Nedbank would acquire Imperial's 49,9% holding in Imperial Bank for a consideration of R1 775 million.

This will significantly enhance the cash-generating capacity of the group as the sale proceeds will be released in cash and the group will have no further capital requirements in respect of Imperial Bank.

The group's motor dealerships will have a relationship with Nedbank in terms of which they would participate in the promotion of vehicle finance and share in the profit from financing and ancillary products sold through the dealerships. Accordingly, the synergistic vehicle retailing and financial services product range which Imperial currently offers to its customers will continue uninterrupted.

Our investment in Imperial Bank has been reported as an associate held for sale on the balance sheet.

### Contingent liabilities

In terms of the Lereko empowerment transaction, the preference shareholders in Lereko Mobility could force an early termination of the transaction if the combined share price of Imperial and Eqstra dropped to below R48,39. To avoid the trigger levels being reached, Imperial and Eqstra provided guarantees to bring the trigger levels down to R41,50. The guarantee of R78 million is reflected as a contingent liability.

The dispute with the South African Revenue Services relating to an assessment for an offshore company has been resolved and the contingent liability of R382 million has been expunged.

## Treasury management

The treasury activities of the group are conducted, both centrally and divisionally, within policies and directives determined by the group's asset and liability committee (Alco). Alco primarily focuses on liquidity, interest rate and foreign exchange risk and approves risk exposures, finance structures and hedging instruments.

The group's liquidity position remained strong during the reporting period. Utilisation of bank facilities was low as a result of proceeds received from the sale of Tourvest and aviation assets, capital repatriated from our overseas operations and improved working capital.

Interest rate risk remained modest with interest rate repricing well matched. Interest rate swaps entered into boosted results in the first half but negated any benefit from further interest rate cuts in the second half. Approximately R1,5 billion of swaps mature before December 2009 which will result in a lower rate achieved on floating-rate borrowings.

Foreign exchange risk is mitigated by the group's policy to be fully hedged against adverse movements in exchange rates for committed transactions, except for imported automotive parts, which may be transacted in the spot market. From time to time, when considered favourable, the motor distributor business enters into hedges on forecast orders in terms of a dispensation obtained from the South African exchange control authorities. Alco approved the use of a number of option-related instruments to further refine our foreign exchange risk management.

The capital-management processes implemented last year have been entrenched and the benefit of these disciplines was evident during the year, with increased focus on asset turns, working capital ratios and return on invested capital.

Bank facilities were reduced in consultation with our banking partners to reflect lower funding requirements and to minimise the commitment fees charged on unutilised facilities in terms of Basel II regulatory capital requirements.

To cover the group's exposure on the share appreciation rights allocated to staff, equity option hedges were acquired.

## Imperial Capital

Imperial Capital is a ring-fenced entity that owns fleet assets employed in the logistics and car rental divisions. It continues to make valuable contributions to the group in terms of debt capital market access and cost efficiencies. R2,3 billion of the group's assets are funded through this entity. The balance sheet of Imperial Capital is contained in annexure D.

## Ukhamba share conversion

In terms of the Ukhamba empowerment transaction, 886 269 deferred ordinary shares converted to ordinary shares effective from the beginning of the new financial year.



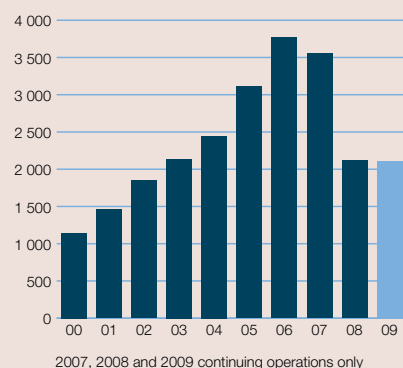
**Hafiz Mahomed**

Financial director

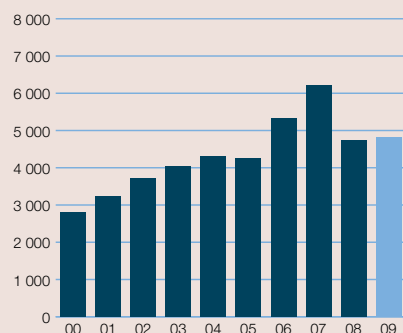
25 August 2009

## 10-YEAR REVIEW

### PROFIT BEFORE TAX AND EXCEPTIONALS (R million)



### NET ASSET VALUE PER SHARE (cents)

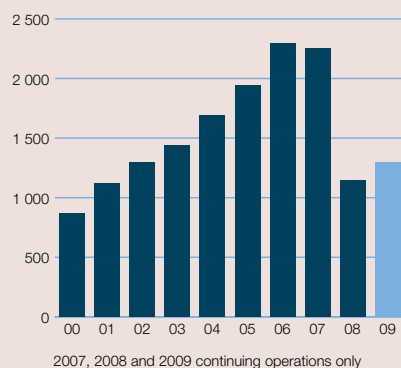


	10 year compound growth	2009 Rm
<b>Income statement – headline earnings</b>		
Revenue/turnover	13	<b>52 219</b>
Profit from operations before the following:		<b>4 157</b>
Depreciation, amortisation and recoupments		<b>(1 237)</b>
Net financing costs		<b>(923)</b>
Income from associates and joint ventures		<b>107</b>
Profit before taxation and exceptional items	6	<b>2 104</b>
Income tax expense		<b>502</b>
Profit after taxation	5	<b>1 602</b>
(Impairment reversal) impairment of property, plant and equipment, net of taxation		<b>(6)</b>
Profit on disposal of property, plant and equipment, net of taxation		<b>(67)</b>
Minority share (profit on disposal of property, plant and equipment)		<b>(1)</b>
Taxation on exceptional items		<b>4</b>
Exceptional items included in income from associates		<b>(160)</b>
Goodwill, net of taxation		<b>(78)</b>
Minority interest, excluding share of exceptional items		<b>(78)</b>
Earnings attributable to preferred ordinary shareholders		<b>(78)</b>
<b>Headline earnings attributable to shareholders</b>	<b>4</b>	<b>1 294<sup>†</sup></b>
<b>Balance sheet</b>		
Intangible assets		<b>901</b>
Investments and loans		<b>3 470</b>
Property, plant and equipment		<b>5 976</b>
Transport fleet		<b>3 483</b>
Leasing assets		<b>1 653</b>
Vehicles for hire		<b>645</b>
Deferred tax assets		<b>203</b>
Banking and other advances		<b>5 592</b>
Other non-current financial assets		<b>5 633</b>
Inventories		<b>154</b>
Trade and other receivables		<b>4 655</b>
Taxation in advance		<b>950</b>
Cash and cash equivalents		<b>950</b>
Assets classified as held for sale		<b>950</b>
<b>Total assets</b>	<b>9</b>	<b>33 315</b>
Equity-settled interest-bearing debt		<b>1 356</b>
Insurance and investment contracts		<b>652</b>
Deferred tax liabilities		<b>10 235</b>
Banking liabilities		<b>10 252</b>
Interest-bearing borrowings (Including preference shares)		<b>459</b>
Other liabilities		<b>459</b>
Liabilities directly associated with assets classified as held for sale		<b>459</b>
<b>Total liabilities</b>		<b>22 954</b>
<b>Net assets</b>		<b>10 361</b>

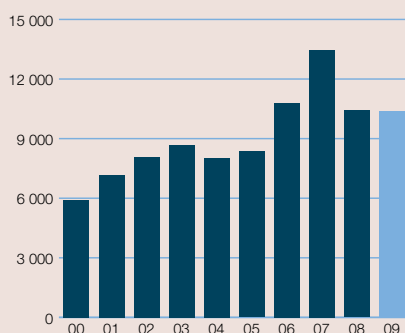
	See note 1							
2008	2007	2006	2005	2004	2003	2002	2001	2000
Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
55 927	54 451	54 105	42 605	34 747	32 277	28 122	21 874	14 944
3 728	4 681	5 904	4 898	3 954	3 741	3 364	2 672	1 914
(1 086)	(889)	(1 632)	(1 390)	(1 256)	(1 216)	(1 078)	(824)	(612)
(807)	(478)	(782)	(586)	(478)	(555)	(500)	(428)	(177)
278	236	282	186	228	167	65	42	21
2 113	3 550	3 772	3 108	2 448	2 137	1 851	1 462	1 146
707	1 008	1 234	989	692	606	484	291	238
1 406	2 542	2 538	2 119	1 756	1 531	1 367	1 171	908
3	(4)	8						
(58)	(25)	(10)	(5)	(9)	(9)	(4)	(5)	(3)
25	1	(1)	22					
6	(3)			59	58	50	16	
(162)	(207)	(244)	(195)	(112)	(142)	(119)	(60)	(39)
(78)	(52)							
1 142 <sup>†</sup>	2 252 <sup>†</sup>	2 291	1 941	1 694	1 438	1 294	1 122	866
897	688	945	622	488	504	606	280	23
4 337	5 782	3 810	2 699	2 660	1 989	1 903	1 944	849
5 681	4 505	4 231	2 781	2 311	2 180	2 109	1 544	1 173
3 465	2 789	2 570	2 449	4 785	1 881	1 556	1 205	858
337	338	6 443	5 074	2 150	4 713	4 532	3 388	2 327
1 286	1 012	896	790	734	735	580	538	446
637	268	426	339	275	247	348	133	87
								3 087
330	842	718	412					
6 442	6 227	7 535	5 586	3 729	3 551	2 772	2 538	1 554
6 821	6 284	8 248	5 752	4 769	4 480	4 142	3 249	2 824
111	(73)	108	128	98	61	90	49	49
3 148	2 302	1 630	1 043	1 261	1 298	1 472	1 508	1 099
4 440	14 570							
37 932	45 534	37 560	27 675	23 260	21 639	20 110	16 376	14 376
		794						
1 535	1 722	1 331	978	833	566	428	247	209
549	548	941	695	630	531	489	232	166
								1 605
12 040	6 950	10 699	7 562	6 576	6 135	5 901	4 110	3 068
11 035	10 915	13 008	10 084	6 161	5 715	5 201	4 629	3 403
2 357	11 932							
27 516	32 067	26 773	19 319	14 200	12 947	12 019	9 218	8 451
10 416	13 467	10 787	8 356	9 060	8 692	8 091	7 158	5 925

## 10-YEAR REVIEW CONTINUED...

### HEADLINE EARNINGS (R million)



### TOTAL SHAREHOLDERS' EQUITY (R million)



	10 year compound growth	2009 Rm
<b>Funded by</b>		
Imperial Holdings shareholders		9 774
Minority shareholders		587
<b>Total shareholders' equity</b>	6	<b>10 361</b>
<b>Share performance</b> (cents per share)		
Headline earnings per share*	5	698 <sup>†</sup>
Dividends per share <sup>#</sup>	5	200
Net asset value per share	37	4 820
Market prices		
– Closing		5 830
– High		6 700
– Low		3 957
Total market capitalisation at closing prices (Rm)		12 367
Value of shares traded (Rm)		14 258
Value traded as a percentage of average capitalisation (%)		121
<b>Number of employees</b>		<b>34 353</b>
<b>Key ratios</b>		
Operating margin (%)		4,7
Return on average ordinary shareholders' interest (headline) (%)		13,4
Total shareholders' equity to total assets (%)		31,1
Interest-bearing debt as a % of total shareholders' equity (%) <sup>~</sup>		53,9

1. The group has unbundled the Leasing and Capital Equipment division and sold or closed certain businesses during 2008. Only the 2007 comparatives for the income statement, balance sheet and headline earnings have been restated.

Certain ratios, share performance and market capitalisation numbers are not comparable as the effect of the unbundling and disposals impact comparability of the prior periods.

2. The 2006 to 2009 numbers are stated in term of IFRS, the remaining years are reported as previously under SA GAAP.

\* Calculated on weighted average number of shares.

<sup>#</sup> Dividend includes capital distributions and notional dividends on which capitalisation share awards were calculated.

<sup>~</sup> Excluding Imperial Bank's assets and liabilities, including preference shares.

<sup>†</sup> Continuing operations only.

2008 Rm	See note 1 2007 Rm	See note 2 2006 Rm	2005 Rm	2004 Rm	2003 Rm	2002 Rm	2001 Rm	2000 Rm
9 605	12 521	10 002	7 890	8 618	8 199	7 658	6 975	5 854
811	946	785	466	442	493	433	183	71
10 416	13 467	10 787	8 356	9 060	8 692	8 091	7 158	5 925
615 <sup>†</sup>	1 216 <sup>†</sup>	1 221	969	836	700	609	528	435
245	560	474	395	315	265	230	190	168
4 732	6 223	5 330	4 244	4 307	4 041	3 712	3 235	2 797
5 275	14 150	12 850	10 180	6 712	5 399	5 430	6 750	5 530
14 849	17 693	17 600	10 850	7 150	5 750	7 000	6 850	7 800
4 800	12 250	10 000	6 650	5 250	4 300	4 375	4 950	4 500
11 190	29 661	26 715	20 909	14 676	11 703	11 739	14 553	11 576
23 801	26 823	23 158	10 596	5 738	5 249	5 896	5 036	5 376
117	95	97	60	44	45	45	39	47
41 520	43 792	39 412	32 696	29 528	26 897	27 162	25 036	23 935
5,3	6,9	8,2	8,0	8,3	8,1	8,1	8,4	8,7
10,3	20,0	25,6	23,0	20,3	18,1	17,7	17,5	17,0
27,5	29,6	28,7	30,2	39,0	40,2	40,2	43,7	41,2
85,4	85,4	91,4	78,0	58,7	55,6	54,7	36,4	33,2

## SHAREHOLDERS' INFORMATION

### Distribution of shareholders (listed ordinary shares)

	Number of shareholders	Number of shares (000)	% of shares listed
Public shareholders	5 104	160 570	75,7
Non-public shareholders			
– Shareholder holding more than 10%	1	23 338	11,0
– Directors, their associates and employees	93	4 358	2,1
– Treasury shares	1	23 864	11,2
	5 199	212 130	100,0

### Spread of holdings

	Number of shareholders	%	Number of shares (000)	%
1 – 2 500	4 140	79,6	2 198	1,0
2 501 – 5 000	261	5,0	965	0,5
5 001 – 10 000	162	3,1	1 200	0,6
Over 10 000	636	12,3	207 767	97,9
	5 199	100,0	212 130	100,0

### Shareholder type

	Number of shares (000)	% of voting shares
Financial institutions, pension and provident funds	77 189	35,2
Unit trusts	45 183	20,6
Individuals	13 178	6,0
Directors and employees	3 953	1,8
Corporate holdings	48 763	22,2
Listed ordinary shares (net of treasury shares)	188 266	85,8
Deferred ordinary shares	16 782	7,6
Preferred ordinary shares	14 517	6,6
Total voting shares in issue net of treasury shares	219 565	100,0
Treasury stock	23 864	
<b>Total shares in issue</b>	<b>243 429</b>	

## Shareholdings of more than 5%

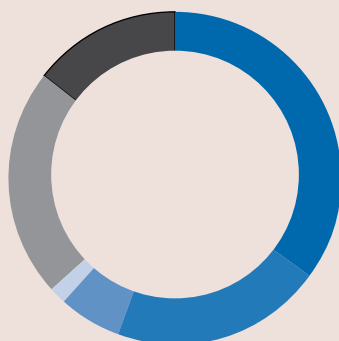
	Share class	Number of shares (000)	% of issued voting capital
Public Investment Corporation Limited	Ordinary	23 338	10,6
Ukhamba Holdings (Proprietary) Limited	Ordinary	5 973	2,7
Ukhamba Holdings (Proprietary) Limited	Deferred ordinary	16 782	7,6
Lereko Mobility (Proprietary) Limited	Preferred ordinary	14 517	6,6

## Stock exchange performance

	2009	2008
Number of shares in issue (million)	212	212
Number of shares traded (million)	268	251
Value of shares traded (Rand million)	14 258	23 801
Market price (cents per share)		
– Closing price	5 830	5 275
– High	6 700	14 849
– Low	3 957	4 800
Earnings yield %	12,0 <sup>^</sup>	13,6 <sup>^</sup>
Price: earnings ratio (based on headline earnings)	8,4 <sup>^</sup>	7,3 <sup>^</sup>

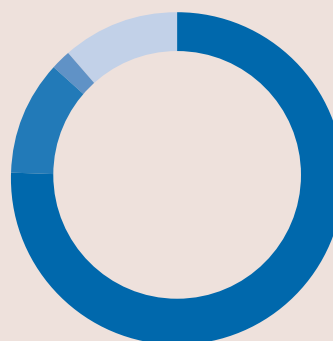
<sup>^</sup> Calculated using continuing headline earnings per share.

Shareholder type (%)



35,2% ● Financial institutions, pension and provident funds  
 20,6% ● Unit trusts  
 6,0% ● Individuals  
 1,8% ● Directors and employees  
 22,2% ● Corporate holdings  
 14,2% ● Deferred and preferred ordinary shares

Distribution of shareholders (%)



75,7% ● Public shareholders  
 11,0% ● Shareholder holding more than 10%  
 2,1% ● Directors, their associates and employees  
 11,2% ● Treasury shares

# DECLARATION OF DIVIDENDS

## Preference shareholders and ordinary shareholders

Notice is hereby given that:

- ▶ a preference dividend of 494,795 cents per preference share has been declared payable to holders of non-redeemable, non-participating preference shares; and
- ▶ a final dividend in an amount of 120 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:

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	2009
Last day for preference shares and ordinary shares respectively to trade cum-preference dividend and cum-ordinary dividend	Thursday, 17 September
Preference and ordinary shares commence trading ex- preference dividend and ex-ordinary dividend respectively	Friday, 18 September
Record Date	Friday, 25 September
Payment Date	Monday, 28 September

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Share certificates may not be dematerialised/rematerialised between Friday, 18 September 2009 and Friday, 25 September 2009, both days inclusive.

On Monday, 28 September 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 28 September 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, 28 September 2009.

## Preferred ordinary shareholders (unlisted)

Notice is hereby further given that a preferred ordinary 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 Wednesday, 23 September 2009.

On Friday, 25 September 2009 the preferred ordinary dividend will be electronically transferred to the bank accounts of preferred ordinary shareholders.

On behalf of the board



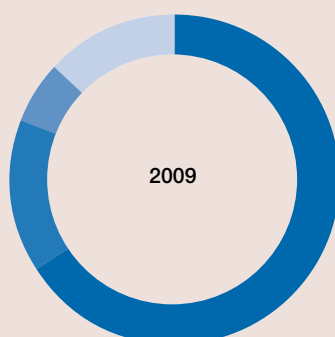
**RA Venter**  
Group Company Secretary

25 August 2009

## VALUE-ADDED STATEMENT

for the year ended 30 June 2009

	2009		2008	
	Rm	%	Rm	%
Revenue	52 219		55 927	
Paid to suppliers for materials and services	41 220		45 226	
<b>Total wealth created</b>	<b>10 999</b>		10 701	
<b>Wealth distribution</b>				
Salaries, wages and other benefits (note 1)	7 236	66	6 623	62
Providers of capital	1 612	15	1 414	13
– Net financing costs	923	9	807	7
– Capitalisation share awards, dividends and capital distributions (excludes unbundling of the leasing and capital equipment division)	689	6	607	6
Government (note 2)	706	6	1 049	10
Reinvested in the group to maintain and develop operations	1 445	13	1 615	15
– Depreciation, amortisation and recoupments	1 237	11	1 086	10
– Future expansion	208	2	529	5
	<b>10 999</b>	<b>100</b>	10 701	100
<b>Value-added ratios</b>				
– Number of employees (continuing operations only)	34 353		36 512	
– Revenue per employee (000)	1 520		1 532	
– Wealth created per employee (000)	320		293	
<b>Notes</b>				
<b>1. Salaries, wages and other benefits</b>				
Salaries, wages, overtime, commissions, bonuses, allowances	6 640		6 003	
Employer contributions	596		620	
	<b>7 236</b>		6 623	
<b>2. Central and local governments</b>				
SA normal taxation	355		703	
Secondary tax on companies	80		16	
Foreign taxation	136		188	
Rates and taxes	58		56	
Skills development levy	31		32	
Unemployment Insurance Fund	46		54	
	<b>706</b>		1 049	



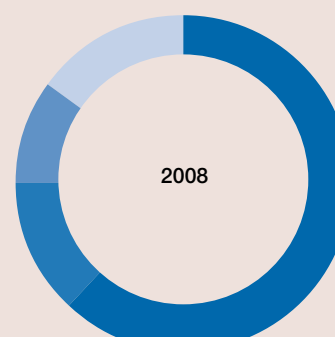
### Wealth distribution

2009

66% ● Employees benefits  
 15% ● Providers of capital  
 6% ● Government  
 13% ● Reinvested in the group

2008

62% ● Employees benefits  
 13% ● Providers of capital  
 10% ● Government  
 15% ● Reinvested in the group





for more information please visit  
[www.imperial.co.za/ar2009/sustainability/ceo\\_message.asp](http://www.imperial.co.za/ar2009/sustainability/ceo_message.asp)

## SUSTAINABILITY REPORT CHIEF EXECUTIVE OFFICER'S MESSAGE

The global credit crisis that has gripped the world affected every sector of the economy and forced all of us to take a critical look at how we conduct our business. As a result of changes we started making even before the global credit crises and recession hit, Imperial is today a vastly different business to what it was three years ago. In addition to the unbundling and separate listing of our leasing and capital equipment division and the closure of our CVH business, we disposed of the bulk of our aviation assets and realigned our motor-related businesses.

We have devoted significant time and energy to ensuring Imperial remains strong and emerges from the economic crises well-positioned to capitalise on any resulting opportunities. Equally, our significantly improved balance sheet enables us to grow our business responsibly as conditions improve.

We recognise that a key factor of our long-term success is to create a business focused on delivering to all the stakeholders we serve. We were therefore encouraged by the increased focus on sustainability in the King III report published in September 2009.

While sustainable development is critical to the company's future and to our business success, future expansion projects may bring their own complexities, as well as new environmental and social challenges. Our vision for the 21st century is to provide sustainable transportation that is affordable in every sense of the word: socially, environmentally and economically. As such, we are doing more in our business to foster a culture of integrated sustainability.

We continue to face different challenges in our various operations, and priorities and perspectives vary considerably by business and region. Stakeholders in the different markets and countries in which we do business also have different expectations and needs. These differences are considered in our operations.

We recognise there are many areas where we can improve our performance and a number of these are covered in this report. There are also some emerging success stories:

- ▶ We enhanced our training capabilities by establishing a R100 million training fund and constructing two new dedicated centres where artisans will be trained. We now have the capacity to train up to 640 artisans a year.
- ▶ We again participated in the Carbon Disclosure Project for voluntary disclosure of the carbon emissions of companies. The challenge for our logistics businesses remains how to provide the services that fuel our economy in a way that is socially beneficial and preserves a healthy environment. We are encouraged by the recently announced plans of the South African government to develop and implement plans to manage greenhouse gas emissions.
- ▶ The number of road accident-related fatalities involving employees declined year on year, maintaining the downward trend of the last three years. Our aim however remains zero fatalities.
- ▶ We completed black economic empowerment (BEE) ratings processes in most divisions.

During the year we received a fine of R1 million relating to non-compliance with insurance legislation by Regent. The group has implemented stricter controls to prevent any recurrence of such actions.

In South Africa, transformation and empowerment are particularly important and viewed as key elements in ensuring the sustainability of our group. We have focused our efforts on attaining sustainable transformation by addressing two employment equity-related areas that we believe will have the greatest impact and result in the broader transformation of our entire group:

- ▶ People development – training and development of people across the group, particularly through the identification and advancement of black talent. Initiatives cover the spectrum from technical training, through supervisory functions up to executive levels.
- ▶ Promotion and attraction – ensuring employment equity by appointing black people to management positions throughout the group via recruitment and promotion. During the year we made a number of key appointments.

Given the environmental impact of printing large reports, this year we have included only a summary in our printed annual report and published the full sustainability report on our website at <http://www.imperial.co.za>. This has also enabled us to include more information in the electronic report. We have however included key facts in the table below.

I hope this report will help you understand our vision, our commitment to contribute to sustainable development and the role of each of the players in our environment as well as the changes we all need to make to responsibly build a lasting future. I ask you to read this report carefully and give us your feedback (contact details below). Together, we have the opportunity to take this changing world of ours and make it a better one.

**Hubert Brody**  
Chief executive officer

25 August 2009

### Contact details and further information

For further information, please refer to the Imperial website: [www.imperial.co.za/sustainability2009/report.pdf](http://www.imperial.co.za/sustainability2009/report.pdf) for a comprehensive version of our sustainability report. Contact person for sustainability: Rohan Venter, tel: +27 (0)11 372 6500.

## Key facts at a glance

	2009	2008
People employed	<b>34 353</b>	41 520
Employee costs (R million)	<b>7 276</b>	6 623
Training expenditure (R million)	<b>61</b>	74
Donations to social responsibility causes (R million)	<b>13</b>	9
Distance travelled by our road fleet excluding rental vehicles (million kilometres)	<b>419</b>	464
Fines paid for traffic offences (R million)	<b>3</b>	5
Employee fatalities in road accidents	<b>8</b>	10
Road accidents involving our fleet	<b>1 133</b>	2 277
Environmental incidents	<b>176</b>	231
Electricity purchased kW/h	<b>171 630 724</b>	155 597 155
Fuel consumed (million litres)	<b>229</b>	248
Biofuel consumed (million litres)	<b>2</b>	1
CO <sub>2</sub> emissions (tonnes)	<b>946 286</b>	996 967

Further information on the scale of the Imperial group appears in the ten-year review on page 32, the value-added statement on page 39, the financial statements on page 49, and the employment section on page 144 of the annual report.



## CORPORATE GOVERNANCE REPORT

### Principles of corporate governance and structures

The board is committed to the principles of openness, integrity and accountability, and to providing timely, relevant and meaningful reporting to all stakeholders. The board ensures that the group's business is conducted to high standards of corporate governance, and in line with local and internationally accepted corporate practice. These standards are entrenched in the group's established systems of internal control, by its procedures and policies governing corporate conduct, with particular emphasis on the importance of qualitative aspects of corporate governance. The operating divisions are autonomous and it is not the style of the group to regulate every aspect of group behaviour through comprehensive policy documents, but rather to allow each division to formulate its own policies, appropriate to the industry and business environment in which it operates but subject to the guidance of the group executive committee and ultimately the board.

The group is committed to an open governance process such that all stakeholders are assured that its directors and managers at all levels are managing the group responsibly. The board subscribes to the principles of the Code of Corporate Practices and Conduct as set out in the King Report on Corporate Governance II (King II) and complies with its recommendations unless otherwise indicated.

The principles contained in King II are reflected in the group's corporate governance structures, which are reviewed from time to time to accommodate organisational changes and international developments in the field of corporate governance. It is the policy of the board and management to actively review and enhance the group's systems of control and governance continuously to ensure the group's business is managed ethically and within prudently determined risk parameters

that conform to internationally accepted standards of best practice.

In assessing the practices implemented by the group, the board has balanced the following factors:

- ▶ Entrepreneurial freedom to take business risks and initiatives leading to satisfactory levels of performance and return on shareholders' investment in the company.
- ▶ Conforming to corporate governance standards, which can impose constraints on divisional management.

The board is assessing its governance practices and procedures against the draft King III reports that were recently published and will make adjustments where necessary. According to our initial assessments, the group already complies with all the substantive recommendations in the draft.

### The board of directors

#### Composition and appointment

The company has a unitary board structure with the chairman and the majority of directors being non-executive.

Directors are appointed on the basis of skill, experience and their level of contribution to, and impact on, the activities of the group. The board decides on the appointment of directors based on recommendations from the remuneration and nominations committee. New directors are provided with formal induction material to facilitate their understanding of the group.

Currently the board comprises nine non-executive directors and six executive directors. Six of the non-executive directors, including the chairman, are independent. No block of directors can dominate the board and no shadow directors have been appointed. The non-executive directors

not classified as independent (as defined in King II) are: Oshy Tugendhaft – a practising attorney who provides legal services to the group; Valli Moosa was nominated by Lereko Mobility, a large BEE shareholder; Younaid Waja was nominated by the Public Investment Corporation, a large shareholder.

At least one third of the non-executive directors retire by rotation each year and stand for re-election at the annual general meeting in accordance with the articles of association. This year, Messrs JR McAlpine and A Tugendhaft and Ms P Langeni have been put forward for re-election. In addition, the reappointment of directors appointed during the year is submitted to the annual general meeting for confirmation.

### Responsibilities

The board of directors is responsible for setting the direction of the group through the establishment of strategic objectives and key policies. Board meetings are held at least quarterly with additional meetings called when necessary. The quorum for meetings is a majority of directors. In addition, other senior executives are invited to attend meetings as required to ensure comprehensive reporting to the board.

The responsibilities of the board are clearly defined. The board has also adopted, and regularly reviews, an authority policy governing the authority delegated to the management of the group and detailing matters retained for decision by the board.

The responsibilities of the board include issues of strategic direction, business plans and annual budgets, major acquisitions and disposals, changes to the board on recommendation from the remuneration and nominations committee and other matters having a material effect on the group or required by statute.

Board members are required to regularly declare any interest they might have in transactions with the group.

All directors are given access to the information needed to carry out their duties and responsibilities fully and effectively. Furthermore, all directors are entitled to seek independent professional advice about the affairs of the group, at the company's expense.

The current members of the board are Thulani Gcabashe (chairman), Osman Arbee, Schalk Engelbrecht, Hubert Brody, Manny de Canha, Tak Hiemstra, Phumzile Langeni, Mike Leeming, Roy McAlpine, Hafiz Mahomed, Valli Moosa, Roddy Sparks, Gerhard Riemann, Oshy Tugendhaft and Younaid Waja.

Max Sisulu resigned from the board with effect from 31 May 2009 and Nazeer Hoosen resigned from the board with effect from 30 November 2008.

### Subsidiary and divisional boards

In line with the decentralised nature of the group's operations, many subsidiary and divisional boards manage day-to-day affairs within their areas of responsibility, subject to board-approved authority limits. The company board ratifies appointments to the boards of major subsidiaries.

### Board committees and governance structure

The board has established a number of sub-committees, which operate within defined terms of reference laid down by the board in writing. Members of these committees are suitably qualified and experienced to meaningfully contribute to the workings of the committees on which they serve. All committees report to the board and operate in accordance with written terms of reference approved by the board.

#### Executive committee (Exco)

This committee is responsible for:

- ▶ Managing the business and affairs of the group.
  - ▶ Review of compliance with legal, statutory and regulatory matters and any current or pending litigation or regulatory proceedings in which the company is involved in any way
  - ▶ Oversight of the internal audit function
  - ▶ Oversight of the external audit function
  - ▶ Nomination of auditors and lead audit partner
  - ▶ Determination of fees to be paid to auditor and terms of engagement
  - ▶ Determination of nature and extent of any non-audit services which the auditor may provide to the group and approval of any non-audit fees paid or payable to the auditors
  - ▶ Consideration and confirmation of the independence of the auditors as contemplated in the Act
  - ▶ Examination and review of interim results and annual financial statements as well as results publications before submission to the board
  - ▶ Review of trading statements and any other publications or press releases with a financial impact that are required to be published by the group in terms of legislation or regulations governing its operations.
- The executives on this committee are appointed by the board. The committee consists of not less than four members and meets at least once a month.
- The current members are Hubert Brody (chairman), Osman Arbee, Manny de Canha, Berenice Francis, David Gnodde, Tak Hiemstra, Hafiz Mahomed, Moeketsi Mosola and Marius Swanepoel.
- #### Audit committee
- The group audit committee consists only of independent non-executive directors, one of whom is appointed as chairman. The quorum is the majority of members. Certain directors, the group internal audit executive and the external auditors are invited to attend meetings. In addition, members of executive management, including those involved in risk management and control, and finance attend meetings when appropriate. The committee meets at least four times per year.
- The role and functions of the committee are determined by its charter and include:
- ▶ Approval of the external and internal audit scope and plans
  - ▶ Annual consideration of the performance of the group financial director or equivalent appointee
  - ▶ Review of the adequacy and effectiveness of the company's internal controls including computerised information system controls and security
  - ▶ Review of the quality of financial information produced to ensure integrity and reliability
  - ▶ Review of significant findings and recommendations of the internal and external auditors together with management's responses
  - ▶ Review of the effectiveness of risk management processes
  - ▶ Review of significant cases of employee conflicts of interest, misconduct or fraud
- The committee receives and deals appropriately with any complaints (internal or external) relating either to accounting practices and internal audit of the company or to the content or auditing of its financial statements, or to any related matter.
- The functions of the committee are also performed for each subsidiary company of Imperial Holdings Limited that has not appointed an audit committee as contemplated in section 270 of the Act, provided that the committee delegates the performance of such functions to sub-committees referred to as financial review committees.
- Divisional financial review committees have been constituted and these committees

## CORPORATE GOVERNANCE REPORT CONTINUED...

report significant issues to the group audit committee. Each divisional financial review committee is chaired by an independent chairman with no operational role in that division.

The external and internal auditors have unrestricted access to all audit committees and financial review committees and attend meetings to report on their findings and to discuss accounting, auditing, internal control and financial reporting matters.

The chairman of the committee also attends the group's annual general meeting.

During the year:

- ▶ The performance of the group financial director was reviewed at the end of the year and his appointment confirmed for the next year
- ▶ The independence of the auditors was tested and confirmed
- ▶ Audit fees were reviewed and agreed
- ▶ A policy on non-audit services was approved
- ▶ The appointment of the external auditors, Deloitte and Touche, and of the lead audit partner were reviewed and recommended for approval by shareholders at the annual general meeting.

The current members are Mike Leeming (chairman), Phumzile Langeni, Roddy Sparks and Younaid Waja.

### Remuneration and nomination committee

This committee consists of the chairman of the board and other non-executive directors. It meets at least three times a year and the quorum for meetings is the majority of members.

The responsibilities and work of the committee during the year are set out in the remuneration report on pages 54 to 59.

The current members are Thulani Gcabashe (chairman), Phumzile Langeni, Roy McAlpine, Roddy Sparks and Oshy Tugendhaft.

### Risk committee

The board is responsible for the total process of risk management in the group. The risk committee sets the group risk framework and strategy and ensures that a robust risk management process is in place. The committee is assisted by the group risk executive, internal audit executive and divisional risk management sponsors who have been tasked with coordinating the risk management process.

Pursuant to its policy of aligning group corporate governance with international best practice and thereby safeguarding the interests of stakeholders, Imperial has implemented an enterprise risk model to identify and assess relevant risks facing the group at strategic, business and process levels.

Risk is not only viewed from a negative perspective. The assessment process also identifies areas of opportunity, for example where effective risk management can be turned into a competitive advantage, or where taking certain risks could result in reward for the group. Any risk taken is considered within the group's risk appetite.

The decentralised structure of the group consists of many business units and therefore overall group risk is spread and minimised to within group tolerance levels. The management of risk substantially takes place in the divisions, and responsibility and accountability largely remains in divisional management structures. The risk committee formalises, standardises and monitors this process by guiding management and assessing their effectiveness in implementing the approved risk management framework.

The board determines the level of acceptable risk and requires the operations to manage and report accordingly. Material issues and circumstances that could affect the group's

reputation and financial affairs constitute unacceptable risk.

The established system of internal control for managing risk, which requires transparency and clear accountability, has the commitment of senior management.

The system of internal control has been implemented in all key operations and is tailored to suit the specific circumstances of each business unit. It provides reasonable rather than absolute assurance that the group's business objectives will be achieved within prescribed risk tolerance levels. The associated risk areas and control processes are monitored and reported on across the group continuously. Internal audit aligns its procedures with the risks identified. Formal feedback is provided at every risk committee meeting.

King II describes risk management as the identification and evaluation of actual and potential areas of risk as they pertain to a company, followed by a procedure of termination, transfer, acceptance (tolerance) or mitigation of each risk. The group's risk management process therefore uses internal controls as a measure to mitigate and control risk.

In reviewing risk management reports and internal control, the board has:

- ▶ Considered what the company's risks are and how they have been identified, evaluated and controlled
- ▶ Assessed the effectiveness of the related process of risk management and, particularly, reports of significant failings or weaknesses in the process
- ▶ Considered if the necessary action is being taken timeously to rectify any significant failings or weaknesses
- ▶ Considered whether results obtained from the review process indicate that more extensive monitoring is required.

### Key inherent group risks

The group has identified key risk categories that affect the group as a whole in addition to the business and industry specific risks identified by the operating divisions. The risk categories and strategies taken to mitigate these risks are the following:

Risk	Strategies implemented
<b>Downturn in the economy</b> Impact of adverse trading conditions and reduction of credit facilities and terms to customers by banks	<ul style="list-style-type: none"> <li>▶ Focus on financial discipline and review of operational efficiencies</li> <li>▶ Ongoing debtor monitoring and relationship management</li> <li>▶ Strategic re-deployment of capital aligned with group required returns</li> </ul>
<b>Valuations of assets</b> Effective control of asset values given the inventory holding of new and used assets that are core to the group's business model	<ul style="list-style-type: none"> <li>▶ Divisional asset management dashboards</li> <li>▶ Regular review and application of latest accounting and business principles</li> <li>▶ Enhanced governance oversight</li> </ul>
<b>Regulatory</b> Ensuring compliance with relevant legislation and regulations	<ul style="list-style-type: none"> <li>▶ Centralisation of selected specialist areas where compliance risk is high</li> <li>▶ Enhanced compliance and risk management functions in divisions</li> <li>▶ Group support and advice on emerging and current legislative landscape as it affects business operations</li> </ul>
<b>Reduction in bank credit extension</b> In response to increased risk and capital adequacy requirements banks reduced credit facilities and terms to customers	<ul style="list-style-type: none"> <li>▶ Monitoring of credit trends and continuous interaction with vehicle finance institutions</li> <li>▶ Specialised Group Treasury management</li> <li>▶ Imperial has significant unutilised credit lines</li> </ul>
<b>Currency volatility</b> Managing exposure to currency fluctuations	<ul style="list-style-type: none"> <li>▶ Established hedging policies</li> <li>▶ Regular reporting by divisions within frameworks defined by asset and liability committee and independent reviews</li> </ul>
<b>Adequate utilisation of IT as an enabler to business strategy</b>	<ul style="list-style-type: none"> <li>▶ Appropriate disaster recovery and business continuity plans</li> <li>▶ Decentralisation of systems</li> <li>▶ Independent system audits and reviews focusing on IT governance</li> </ul>
<b>Talent management</b> Key to our success are our people, their commitment and knowledge of the business and industry	<ul style="list-style-type: none"> <li>▶ Identification of individuals within the group for training and leadership focus</li> <li>▶ Divisional training initiatives</li> <li>▶ Established specialist training academies and skills development fund</li> <li>▶ Succession planning</li> </ul>
<b>Transformation</b> Failure to meet transformation goals as a result of external factors such as skills shortages and failure to meet ownership targets due to equity-market downturns	<ul style="list-style-type: none"> <li>▶ Executive appointment to focus and co-ordinate transformation philosophy</li> <li>▶ Established a transformation committee reporting to the board</li> <li>▶ Consistent monitoring of BEE initiatives and targets</li> </ul>
<b>Dependence on key resources</b> Our business is dependent on the availability of key resources such as fuel, water and power	<ul style="list-style-type: none"> <li>▶ Strategic procurement initiatives, particularly focusing on fuel availability</li> </ul>
<b>Acquisition risks</b> Expansion into unknown business sectors or models	<ul style="list-style-type: none"> <li>▶ Clearly defined expansion areas have been identified</li> <li>▶ Strong group mandate structure relating to investments</li> <li>▶ Regular review of acquisition risks at executive level</li> <li>▶ Post acquisition reviews</li> </ul>

# CORPORATE GOVERNANCE REPORT CONTINUED...

## The board

- ▶ Recognises that it is accountable for the process of risk management and the system of internal control, which is regularly reviewed for effectiveness, and for establishing appropriate risk and control policies and communicating these throughout the group
- ▶ Is satisfied there is an ongoing process for identifying, evaluating and managing the significant risks faced by the group. This process has been in place for the review period and up to the date of approving the annual report and financial statements
- ▶ Is satisfied there is an effective system of internal control in place to mitigate the significant risks faced by the group to an acceptable level.

The current members of the committee are Younaid Waja (chairman), Harvey Adler, Osman Arbee, Hubert Brody, Berenice Francis, Werner Behrens, Tak Hiemstra, Mike Leeming, Gerald Rudman, David Gnodde and Clive Masinga.

## Transformation committee

The transformation committee's role is to guide and assist Imperial in its quest to reflect the South African social fabric while positioning the organisation positively relative to the economy.

The committee assists in designing a transformation strategy for the group and determines time frames and milestones for implementing the strategy.

In particular, the committee reviews:

- ▶ The organisation's public profile regarding transformation
- ▶ Appointment of black people in management positions

- ▶ Appointment of women in management positions
- ▶ Retention of such staff and clear guidance on the cultural shift required to retain black staff
- ▶ Utilisation of available leadership and training facilities and mentoring techniques to identify and develop talent, and accelerate these individuals responsibly through the organisation.

The members of the committee provide practical recommendations to the executive in achieving the desired result.

The committee, in conjunction with the executive committee, oversees the implementation of the group transformation strategy.

The current members are Valli Moosa (chairman), Phumzile Langeni, Oshy Tugendhaft, Thulani Gcabashe, Marius Swanepoel, Manny de Canha, Osman Arbee and Berenice Francis.

## Asset and liability committee

The asset and liability committee (Alco) is responsible for implementing best practice asset and liability risk management policies. Its primary objective is to manage the liquidity, interest rate and exchange risk of the group within an acceptable risk profile.

Liquidity risk is the risk that funding is not available to fund the assets, operations and financial commitments of the group timeously and cost-effectively. This risk is measured by analysing the maturity mismatch gap between assets and liabilities and is managed by accessing various sources of funding (bonds, commercial paper and bank facilities) across the yield curve and having appropriate terms of repayment from a diverse pool of investors and lenders. In addition, significant standby

facilities are arranged to further reduce liquidity risk.

Interest rate risk is the risk that the interest or interest rate-related income earned on assets and paid on liabilities is not properly matched in terms of their repricing profile and therefore, should there be fluctuations in interest rates, the company could suffer losses as the margin between asset returns and borrowing rates is eroded. Interest rate risk is measured by analysing the repricing profile of assets and liabilities into the future through repricing gap analysis and managed by ensuring that the interest rate repricing profile of borrowings is matched to assets, or through interest rate derivatives, to attain an appropriate mix of fixed and floating rate exposures.

Exchange rate risk exists if foreign currency obligations and receivables are not adequately secured to ensure that the local currency equivalent of such monies, once exchanged, is not adversely affected by exchange rate fluctuations. This risk is managed by various means including appropriate forward cover over foreign currency obligations and receivables.

Alco meets at least quarterly and bases its strategies on developments in both the domestic and world economy. In addition to risk management, Alco also approves funding mechanisms and exposure limits for recommendation to the board where required.

The current members of the committee are Hubert Brody (chairman), Tak Hiemstra, Mike Leeming, Hafiz Mahomed, Russell Mumford and Willem Reitsma.

## Meeting attendance

The table below details attendance of board and committee meetings during the year.

	Board		Executive committee	Asset and liability committee	Audit committee	Remuneration and nomination committee	Risk committee	Transformation committee
	Regular meetings	Annual strategy meeting						
<b>Number of meetings during the year</b>	<b>4</b>	<b>1</b>	<b>21</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>4</b>
Thulani Gcabashe	4	1				5		4
Hubert Brody	4	1	21	4			4	
Osman Arbee	4	1	20				4	4
Manny de Canha	4	1	20					4
Schalk Engelbrecht	3	1						
Tak Hiemstra	4	1	19	4			4	
Phumzile Langeni	4	1			4	5		3
Mike Leeming	4	1		4	4		4	
Hafiz Mahomed	4	1	20	4				
Roy McAlpine	4	1				5		
Valli Moosa	4	1						4
Gerhard Riemann	4	1						
Roddy Sparks	4	1			4	5		
Oshy Tugendhaft	3	1				5		4
Younaid Waja	4	1			4		4	
Marius Swanepoel			20					4

Max Sisulu and Nazeer Hoosen resigned during the year.

Berenice Francis, David Gnodde and Moeketsi Mosola were appointed to the Executive committee after year end.

### Company secretary

The board considers the company secretary qualified to perform his duties in accordance with applicable legislation and fit and proper for the position. All directors have access to the advice and services of the company secretary who ensures compliance with applicable procedures and legislation. The removal of the company secretary is a matter for the board as a whole.

### Accountability and audit

#### Going concern

The group audit committee considers the facts and assumptions used in the assessment of the going-concern status of the group at financial year end. This provides assurance to the directors in confirming their assessment that the annual financial statements are properly prepared on the going-concern basis.

#### Internal financial controls

The directors acknowledge that they are responsible for instituting internal control systems that provide reasonable assurance on safeguarding of assets and prevention of their unauthorised use or disposal, as well as maintenance of proper accounting records that give reasonable assurance on the reliability of financial information produced.

#### Internal audit

The internal audit department's responsibilities are defined in a written charter approved by the board.

Internal audit is an independent, objective assurance and consulting activity established to add value and improve the group's operations. It helps the group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the adequacy and effectiveness of

risk management, control and governance processes.

The internal audit activities of the group are coordinated by the group internal audit executive based at the corporate office, who reports to the chief executive and has unrestricted access to the group audit committee and its chairman. The group internal audit executive reports formally at all audit committee meetings held during the year. The audit plan for the wider group is approved by the group audit committee. The group internal audit executive also attends and co-ordinates the activities of all divisional financial review committees and attends all divisional and group risk committee meetings to ensure that internal audit focuses on all relevant risks.

The internal audit function did not identify any significant breakdowns in internal control that

# CORPORATE GOVERNANCE REPORT CONTINUED...

were known to have had a material impact on performance during the past year.

## Financial reporting

Imperial Holdings has a comprehensive system for reporting financial results to the board each quarter and to the executive committee monthly. Each division prepares detailed monthly management accounts, budgets and a five-year plan approved by the board. Performance against budget is monitored and variances analysed. Profit and cash flow forecasts to the end of the year are reviewed and include an analysis of material changes. Accounting policies are disseminated throughout the group to ensure compliance.

## Insider trading

No group director or employee with inside information about the group may deal, directly or indirectly, in Imperial Holdings' or its listed subsidiary's securities, which include allocations of and dealings in the group's share incentive schemes (the securities). The board has determined certain closed periods during which directors and other senior management officials of the group may not deal, directly or indirectly, in the securities. In addition, the group has adopted a policy requiring directors, executive committee members, the company secretary and directors of major subsidiaries to obtain permission from designated individuals before trading in the group's securities.

## Principles of conduct

### Business integrity and ethics

The board has adopted a written code of ethics. The group supports free enterprise as the system best able to contribute to the economic welfare of society, and to promote individual liberty. Without satisfactory profits and a strong financial foundation, it would not be possible to fulfil our responsibilities to shareholders, employees, society, and those with whom we do business. However, our corporate actions are not governed solely by economic criteria, but also take into account social, environmental, and political considerations.

The group is committed to the principles of sustainable development, striking an optimal balance between economic, environmental and social development. We strive to innovate and adopt best practice, wherever we operate, working in consultation with stakeholders. In this regard the group publishes a sustainability report which forms part of this annual report.

Management and employees operate within a framework that requires compliance with all applicable laws and maintenance of the highest integrity in the conduct of the group's business.

### Employment and labour rights

The group subscribes to the principle of fair labour practices at our workplaces, and our conditions of service comply with applicable laws and industry standards. More detail on the group's policies and practices is contained in the summary sustainability report on pages 40 to 41 and the comprehensive report published on the group website: [www.imperial.co.za](http://www.imperial.co.za).

### Safety, health and environmental stewardship

We report regularly at executive level on our safety, health and environmental (SHE) performance.

Our objective is to prevent fatalities, work-related injuries and health impairment of our employees.

We recognise the need for environmental stewardship to minimise consumption of natural resources and waste generation, and to minimise the impact of our operations on the environment.

Senior executives and line management are accountable for the group's SHE issues and for allocating adequate financial and human resources within their operations to address these matters. We work to keep SHE at the forefront of workplace concerns.

More detail on the group's policies and practices appears in the summary sustainability report on pages 40 to 41 and the comprehensive report published on the group website: [www.imperial.co.za](http://www.imperial.co.za)