

FAST MOVING  
FORWARD THINKING



# IMPERIAL

ANNUAL REPORT

09



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### THE NEW CORPORATE IDENTITY

## CREATING A BRIDGE BETWEEN OUR PAST AND OUR FUTURE

With Imperial's continued growth in a global environment and with its decentralised management structures, alliances and business activities, the Imperial brand name is the most significant spiritual and cultural glue unifying the wider group.

In this spirit, the Imperial group evolved its identity to express its business strategies with a clearer sense of energy and dynamism, and to convey the wide range of services provided. The new corporate identity is intended to address the successful branding of individual businesses which may not have clear links to the group.

The brand architecture therefore allows for the combination of proven brands with the new brand identity.

Through its revitalised colours and dynamic movement, the new brand identity icon – The Spirit of Entrepreneurship – heralds a new beginning, linking Imperial's past with its future.

# REMEMBERING

## HISTORY OF IMPERIAL

	Logistics in southern Africa and Europe	Car rental and related tourism services	Motor and Financial services		
			Dealerships	Distributorships	Financial services
<b>2009</b>		Disposal of Tourvest Rebrand Imperial Car Rental to Europcar			
<b>2008</b>	Advanced logistical services			Closure of truck import business	Merger of Regent Insurance and Regent Life
<b>2007</b>					
<b>2005</b>			Jurgens Caravans Beekman Canopies		Flagstone Re Africa
<b>2001</b>				Parts distribution	
<b>2000</b>	Supply chain services	Diversified tourism (Tourvest)			
<b>1999</b>				Acquisition of NAC	
<b>1998</b>	European acquisition			Truck import assembly	
<b>1996</b>	Full service logistics			Car import and distribution	Banking Life insurance
<b>1994</b>			True multi-franchise dealer group		
<b>1993</b>					
<b>1991</b>		Coach touring	Mercedes-Benz dealership		
<b>1990</b>					
<b>1989</b>	Warehousing				Short-term insurance
<b>1988</b>		Airport concessions			
<b>1987</b>		Hertz merger			
<b>1981</b>					
<b>1979</b>	Transport	Launch of Imperial Car Rental			
<b>1975</b>	Truck rental				
<b>1973</b>	Truck retailing		Toyota dealership		
<b>1948</b>			1948 – 1973 used car and Chrysler dealerships		

# OUR PAST

## OUR STRENGTHS IN THE MARKET PLACE ARE BUILT ON:

- ▶ our compelling value proposition
- ▶ our balanced exposure to the corporate and consumer sectors
- ▶ the stability derived from our sound financial position
- ▶ our entrenched market presence

These four key factors keep our businesses at the forefront of their industries. They provide the momentum for our growth and the sustainability of the leadership positions that we occupy. They provide comfort to our suppliers and customers and prolong the mutually rewarding business relationships that we have with them. They also instil pride in our employees to build on the sound foundations that have been laid over the long and productive years of our history.

## WE ARE CONSTANTLY BUILDING



Our history shows that building a business of considerable scale and significance has always been our driving force. In the past two years, we have reduced the scale and diversity of the group in accordance with economic circumstances and our capacity as an industrial group. These actions were well timed and executed with a view to preserving of long-term shareholder wealth.

We now have a group that is focused on the industries that we have selected because of our firm belief in their long-term sustainability and according to our trusted expertise. Our rich history in the markets we have chosen will reward our endeavours to maximise

the returns on our economic and human capital.

The development of our human capital was a top priority in the past two years during which the group was restructured. Skills development was promoted at all levels of the group, including for prospective employees who will qualify as artisans and be available to serve not only our needs but also those of the southern African business community.

In pursuit of excellence and good corporate citizenship, we have adopted nine unifying principles for behaviour in what we call "The Imperial Way".

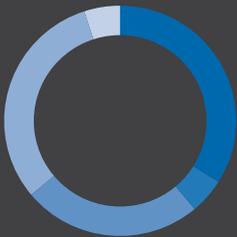
These principles are:

- a commitment to quality service
- people development
- the encouragement of intelligent entrepreneurship and prudent risk taking
- good communication and transparency
- pursuit of sound capital management and financial strategy
- performance management
- support and loyalty to colleagues and sister companies
- rallying around our brand
- social and environmental responsibility



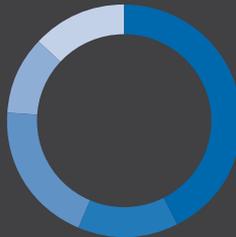
## CONTINUING OPERATIONS

Revenue 2009



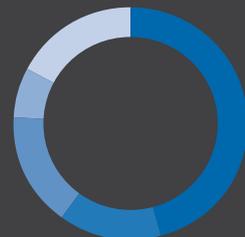
- 34% ● Logistics
- 5% ● Car rental and tourism
- 25% ● Distributorships
- 31% ● Motor vehicle dealership
- 5% ● Insurance

Operating profit 2009



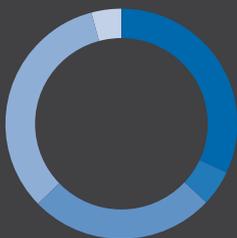
- 42% ● Logistics
- 14% ● Car rental and tourism
- 20% ● Distributorships
- 11% ● Motor vehicle dealership
- 13% ● Insurance

Profit before exceptional items 2009



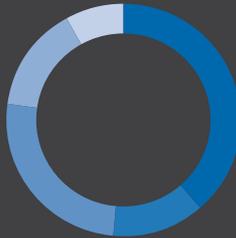
- 46% ● Logistics
- 14% ● Car rental and tourism
- 16% ● Distributorships
- 7% ● Motor vehicle dealership
- 17% ● Insurance

Revenue 2008



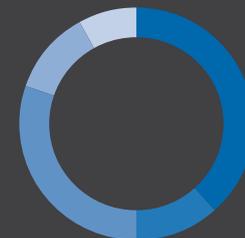
- 31% ● Logistics
- 5% ● Car rental and tourism
- 26% ● Distributorships
- 33% ● Motor vehicle dealership
- 5% ● Insurance

Operating profit 2008



- 38% ● Logistics
- 13% ● Car rental and tourism
- 26% ● Distributorships
- 15% ● Motor vehicle dealership
- 8% ● Insurance

Profit before exceptional items 2008



- 42% ● Logistics
- 13% ● Car rental and tourism
- 23% ● Distributorships
- 13% ● Motor vehicle dealership
- 9% ● Insurance

# ON OUR STRONG FOUNDATIONS

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# IMPERIAL



## PROFILE

Imperial is a diversified multinational industrial services and retail group with activities spanning logistics, car rental and tourism, vehicle retailing and related financial services. While capitalising on the synergies between our business entities, our decentralised management structure actively encourages entrepreneurship, innovation and industry-specific best practices.

The group operates through five divisions: logistics in southern Africa and Europe, car rental and tourism, vehicle, parts and aircraft distributorships, vehicle dealerships and insurance.

Imperial is active in South and southern Africa, selected parts of Africa, Europe, the United Kingdom and Australia.

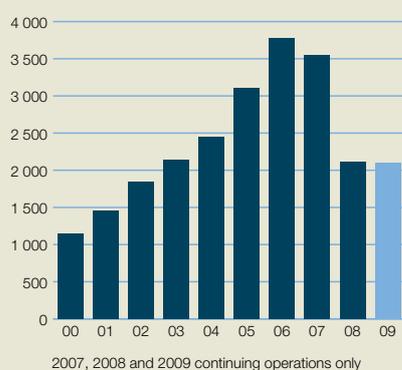
## A BRIEF OVERVIEW OF IMPERIAL HOLDINGS LIMITED

The genesis of the modern Imperial group stretches back to the years just after World War II, to a used car and Chrysler dealership. With the arrival of a young Irish immigrant in the 1970's the long and steady process of expanding Imperial Motors began. When Imperial listed in 1987, the business was worth R35 million. Today, that figure is R12 billion. Over the decades, Imperial has weathered many economic cycles – while meeting the changing needs of its customers through focus and foresight.

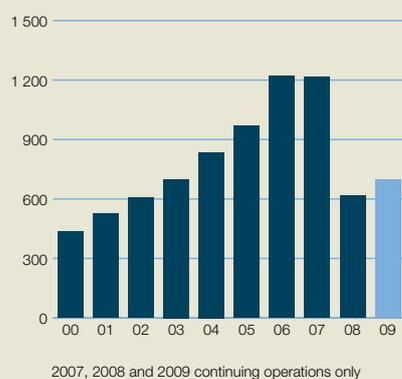
## REVENUE (R billion)



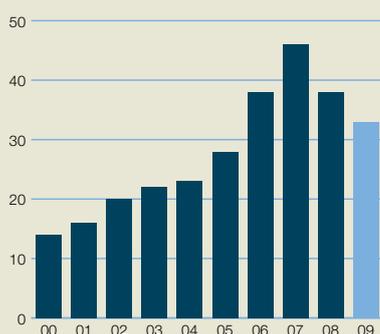
## PROFIT BEFORE TAX AND EXCEPTIONALS (R million)



## HEADLINE EARNINGS PER SHARE (cents)



## TOTAL ASSETS (R billion)



## FINANCIAL AND OPERATIONAL FEATURES

- ▶ HEPS from continuing operations **13%** higher to 698 cents
- ▶ Cash generated by continuing operations **43%** higher to R5,2 billion
- ▶ Revenue from continuing operations 7% lower to **R52,2 billion**
- ▶ Operating profit 16% lower to **R2,5 billion**
- ▶ **Strong** balance sheet
- ▶ Total annual dividend of **200** cents per share

FINANCIAL SUMMARY	2009	2008	% change
Revenue (Rm)*	<b>52 219</b>	55 927	(7)
Operating profit (Rm)*	<b>2 453</b>	2 923	(16)
Profit margin (%)*	<b>4,7</b>	5,2	
Profit before tax and exceptional items (Rm) *	<b>2 104</b>	2 113	–
Headline earnings attributable to shareholders (Rm) *	<b>1 294</b>	1 142	13
Headline earnings per share (cents) *	<b>698</b>	615	13
Distributions to shareholders (cents)	<b>200</b>	245	(18)
Cash generated by operations (Rm) *	<b>5 187</b>	3 633	43
Return on equity (%) **	<b>13,4</b>	10,3	
Total assets (Rm)	<b>33 315</b>	37 932	(12)
Net asset value per share (cents)	<b>4 820</b>	4 732	2
Market capitalisation at closing prices (Rm)	<b>12 367</b>	11 190	(2)

\* Continuing businesses only

\*\* Impacted by unbundling leasing and capital equipment division, closure and sale of businesses.

## STRATEGIES

- ▶ Measurement of and focus on the return on invested capital at group, divisional and company level.
- ▶ Extend the suite of services rendered to logistics clients.
- ▶ Extend the logistics theme to include asset-light, knowledge-based operations and industrial businesses with strong logistics functions.
- ▶ Expand the geographic and multi-modal footprint of Imperial Logistics International.
- ▶ Focus international strategy around existing investments, emphasising logistics and freight operations.
- ▶ Sharpen the performance of the car rental business in fleet utilisation, brand focus, marketing and yield management.
- ▶ Investigate and pursue scaleable opportunities in the tourism sector
- ▶ Cost-efficient management of the motor retail businesses with an extension of non-OEM products.
- ▶ Strengthen the sustainable profit base of the insurance operations by improving efficiency and products.
- ▶ Maximise downstream profits from vehicle retailing.



# LOOKING AT

## GROUP AT A GLANCE

### LOGISTICS

Imperial Logistics remains the leading logistics provider in southern Africa, offering integrated solutions to a diverse range of large and small customers. Offshore, our logistics operations are housed in Imperial Logistics International, which provides complete logistics solutions from parts distribution, just-in-time component delivery, and warehousing, to inland waterway shipping, trucking, container handling and related value-added services.



#### IN THE REVIEW PERIOD

- Domestic and offshore logistics contributed 34% of group revenue and 42% of operating profit despite challenging trading conditions
- Strategic acquisitions during the year have deepened divisional capabilities and skills, locally and offshore
- Focus on complementary services that provide annuity income was formalised in a new division for southern African operations
- A dramatic second-half reversal in trading conditions in international operations was countered by cost and margin management

#### OUTLOOK

- The southern African logistics industry is expected to remain under pressure for most of the 2010 financial year, although adequate business activity should support satisfactory returns.
- Conditions in Europe remain tough. However, rising commodity prices indicate growing demand by global manufacturers which should increase activity in Imperial Logistics International.

### CAR RENTAL AND TOURISM

With over 130 locations across southern Africa and prime positions at all major airports, Imperial's rebranded Europcar is a prominent force in the car rental market while Tempest has become a trusted brand in the low-cost car rental market. Car rental services are supported by the largest used car dealer network in South Africa. Wholly owned tourism interests include inbound tour operations and niche tourism services.



#### IN THE REVIEW PERIOD

- The decline in inbound travellers and used car sales resulted in slightly lower revenue although margins were largely maintained
- The successful Europcar rebranding has raised the profile, with expected long-term benefits
- Acquisitions have expanded footprint and capacity
- Tourism businesses benefited from sporting events and are well-positioned for 2010 opportunities and beyond
- We decided to pursue scaleable opportunities in the tourism sector that will amplify our leading position in inbound operations and coach touring

#### OUTLOOK

We expect a slow but sure recovery in the international inbound tourism market and business travel, while the FIFA World Cup will provide further stimulus in the first part of 2010. However, we will not build significant capacity for this event alone, although higher utilisation and better margins are expected.

# OUR STRENGTHS

## VEHICLE RETAILING

Through the distributorships, dealerships and insurance divisions, Imperial has built a unique, comprehensive motor retail organisation that captures the value chain from factory gate to end-user financial services. Imperial divisions represent virtually all makes of passenger and commercial vehicles, and many motor cycle brands, nation-wide and internationally

### DISTRIBUTORSHIPS

The division imports and distributes a range of passenger and light and heavy commercial vehicles, automotive products and motorcycles for principals in Asia, Europe and the United States. It also retails Ford passenger cars in Australia. In addition to a fast growing auto parts distribution business, Imperial's aviation business, National Airways Corporation, the leading general aviation sales and services organisation in the region, is housed in this division.

#### IN THE REVIEW PERIOD

- In an extremely weak motor market, cutting costs and closing unprofitable operations protected margins and limited the decline in revenue
- Revenue from services was maintained, in line with the group strategy of focusing on service operations
- Australian dealerships recorded net profit after interest
- Good results from aircraft sales activities

#### OUTLOOK

While motor vehicle retailing activities have started to benefit from cost savings, we expect vehicle sales to remain weak in the year ahead. Given that entry-level vehicles were most affected by the scarcity of bank credit, any improvement in credit availability will benefit this market.

### DEALERSHIPS

Imperial owns the largest network of motor dealerships in South Africa and represents all major original equipment manufacturers (OEMs). While its core business remains selling and servicing vehicles, the division has diversified its income to include secondary sources that provide an important counterbalance to vehicle retail activities.

#### IN THE REVIEW PERIOD

- Extremely difficult year for vehicle sales, especially the second half when the total market declined by 34%, while the commercial vehicle market shed 49% of its sales volumes
- New flagship dealerships performed well while 23 unprofitable outlets were closed during the period
- Revenue from services higher despite decline in total revenue
- UK and Swedish dealerships were profitable after interest

#### OUTLOOK

The dealer portfolio is being constantly improved through rationalisation and modest expansion into areas that offer better trading prospects. This will position the division well when conditions in the motor market improve.

### INSURANCE

The group's niche insurance operations are focused on a range of short-, medium- and long-term insurance and assurance products. These are predominantly associated with the automotive market, and are sold through motor dealers and on behalf of finance institutions.

#### IN THE REVIEW PERIOD

- The short-term and life businesses were merged under the Regent brand, combining the best of their resources and infrastructure, and resulting in estimated annualised savings of R35 million
- Gross premium income was 10% higher, while the underwriting result was nearly four times better than last year
- The capital base was strengthened, lifting solvency margins and the capital adequacy ratio to well above minimum regulatory levels

#### OUTLOOK

Underwriting results will be maintained and investment results are expected to improve. The lower equity content in the portfolios will provide more stability to the performance of this division.

## DIRECTORS AND EXECUTIVE COMMITTEE



### NON-EXECUTIVE DIRECTORS

- 1. Thulani Sikhulu Gcabashe (51)\***  
 BA (Botswana), MURP (Ball State Univ, USA), PED, IMD Lausanne  
 Thulani is the retired chief executive of Eskom and is now the executive chairman of BuiltAfrica Holdings. He currently serves as a director of Standard Bank Group, The Standard Bank of South Africa and the National Research Foundation. He is a former trustee of the Freedom Park Trust. He was appointed to the board in January 2008 and as chairman in April 2008.
- 2. Schalk Engelbrecht (63)\***  
 BSc, MBL, AMP Insead  
 Schalk is the previous chief executive officer of AECl and is currently a non-executive director of that company. He was appointed chief executive of AECl in 2003, having joined the AECl board as an executive director in 2002. He was the managing director of Chemical Services (Chemserve) before joining the AECl board. He was appointed to the board in June 2008.
- 3. Phumzile Langeni (35)\***  
 BCom (Acc)  
 Phumzile is the executive chairperson of Afropulse Group, a woman-led investment, investor relations and corporate advisory house. She was the economic advisor to the then Honourable BP Sonjica, then Minister of Minerals and Energy (DME). Phumzile was previously an executive director of junior platinum miner, Anooraq Resources, is the chairman of Astrapak and an independent non-executive director of Massmart Holdings Limited, Mineworkers' Investment Company, Peermont Global, Transaction Capital and the Port Regulator. She was appointed to the board in June 2004.
- 4. Michael John Leeming (65)\***  
 BCom, MCom, FCMA, FIBSA, AMP  
 Mike is a former executive director of Nedcor Limited. He has served as chairperson of the Banking Council of South Africa and president of this country's Institute of Bankers. He is currently a non-executive director of the Altron Group, AECl, Woolworths and Real Africa Holdings. He was appointed to the board in November 2002.
- 5. James Roy McAlpine (68)\***  
 BSc, CA  
 Roy is a former executive director of Liberty Life. He is currently a non-executive director of African Rainbow Minerals and Hyprop Investments, and is a past chairperson of the Association of Unit Trusts of South Africa. He was appointed to the board in August 1998.
- 6. Mohammed Valli Moosa (52)**  
 BSc  
 Valli is non-executive director of Sanlam and Anglo Platinum. He is the non-executive chairman of Sun International and executive chairman of Lereko. He is the former president of the International Union for the Conservation of Nature and is currently a member of the Global Leadership for Climate Action. He is the former chairman of Eskom and served as a cabinet minister in the National Government. He was appointed to the board in June 2005.
- 7. Roderick John Alwyn Sparks (50)\***  
 BCom (Hons), CA(SA), MBA  
 Roddy is a former managing director of Old Mutual South Africa and Old Mutual Life Assurance Company (SA) and former chairperson of Old Mutual Unit Trust,
- Old Mutual Specialised Finance and Old Mutual Asset Managers (SA). He is a director of Worldwide African Investments and a non-executive director of Trecor and serves on the board of governors of the UCT Graduate School of Business. He was appointed to the board in July 2006.
- 8. Ashley (Oshy) Tugendhaft (61)**  
 BA, LLB  
 Oshy is the senior partner of Tugendhaft Wapnick Banchetti & Partners, a leading Johannesburg niche law firm and a non-executive director of African Bank Investments Limited and Pinnacle Technology Holdings Limited. He was appointed to the board in April 1998 and as deputy chairman in March 2008.
- 9. Younaid Waja (57)**  
 BCom, BCompt (Hons), CA(SA), H Dip Tax Law  
 Younaid is a practising tax and business consultant. He is a non-executive director and a sub-committee member of the: Public Investment Corporation Limited (PIC), Pareto Limited, Blue IQ Investment Holdings (Pty) Limited, Supplier Park Development Company (Pty) Limited and Lefatshe Technologies (Pty) Limited. He is a former vice-president of the Association for the Advancement of Black Accountants in Southern Africa (ABASA) and a former member of the Income Tax Special Court. He is also a former chairperson of the Public Accountants and Auditors Board (PAAB), now the Independent Regulatory Board of Auditors (IRBA). He was appointed to the board in June 2004.

\* Independent



## EXECUTIVE DIRECTORS

### 10. Hubert Rene Brody (45)

BAcc (Hons), CA(SA)

Hubert is the chief executive of Imperial. Hubert joined the group in April 2000 as chief financial officer of Imperial Bank. He was appointed chief executive of the motor division in 2003. He joined the executive committee in September 2004, was appointed to the board in August 2006 and as chief executive on 4 July 2007.

### 11. Osman Suluman Arbee (50)

BAcc, CA(SA), HDip Tax

Osman is the CEO of the car rental division and chairman of the tourism, motor dealership and automotive parts distribution divisions. He is a director of Distribution and Warehousing Network (DAWN) Limited, Imperial Bank Limited and Ukhamba Holdings (Pty) Limited, the group's empowerment partner. He joined the group and the executive committee in September 2004 and was appointed to the board on 4 July 2007.

### 12. Manuel Pereira de Canha (59)

Manny is the chief executive of Associated Motor Holdings, responsible for the import and distribution of motor vehicles. He joined the group in 1996. He was appointed to the board in November 2002.

### 13. Recht Louis (Tak) Hiemstra (53)

BCompt (Hons), CA(SA)

Tak is the executive director, strategic development of the group. He is responsible for investor relations, strategy, and enterprise and business development. He joined the group in 1992 and was appointed to the board in August 1995.

### 14. Abdul Hafiz Mahomed (58)

BCompt (Hons), CA(SA), HDip Tax

Hafiz is the deputy chief executive and the group financial director. He joined the group as financial manager in 1982 and was appointed to the board in March 1992.

### 15. Gerhard Wessel Riemann (62)

Gerhard is the chief executive of Imperial Logistics International in Germany and is responsible for logistics operations in Europe. He joined the group and the board in January 2000.

## EXECUTIVE COMMITTEE MEMBERS

### 16. Marius Swanepoel (48)

BCom Acc (Hons)

Marius is the chief executive of Imperial Logistics in southern Africa. He joined the group in 1994 as financial director of Highway Carriers and was appointed chief executive of Imperial Logistics in southern Africa in October 2005. He was appointed to the executive committee in May 2007.

### 17. Berenice Joy Francis (33)

BCompt (Hons), CIA

Berenice is the executive responsible for risk, transformation and people development. She has extensive risk management experience and joined the group in 2008. She was appointed to the executive committee in June 2009.

### 18. Moeketsi Mosola (48)

Moeketsi is the chief executive of the tourism division. He was previously CEO of SA Tourism. He joined the group in 2009 and was appointed to the executive committee in July 2009.

### 19. David Drury Gnodde (51)

BCompt (Hons), CA(SA)

David is the chief executive of the Regent group which houses the insurance operations of Imperial. He was previously the COO and an executive director of PPS and joined the Imperial group in 2009. He was appointed to the executive committee in June 2009.

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# CHAIRMAN'S REPORT



**Thulani S Gcabashe** Chairman

## IMPERIAL HAS BEEN RECOGNISED FOR ITS COMMITMENT TO SKILLS DEVELOPMENT IN THE LOGISTICS AND SUPPLY CHAIN INDUSTRY THROUGH AWARDS INCLUDING CORPORATE EDUCATOR OF THE YEAR.

### IN THIS SECTION:

- ▶ Sustainable development
- ▶ Corporate governance
- ▶ Directorate and management
- ▶ Black economic empowerment
- ▶ Acknowledgements

For the year to 30 June 2009, Imperial Holdings has delivered a pleasing performance under extraordinarily challenging conditions. In a year characterised by two distinct halves for most of the group's divisions, the global economic crisis affected trading volumes across the board while tight credit criteria and reduced demand affected motor retailing and distribution in South Africa.

Strategic actions and operational streamlining during the review period and in the prior period have resulted in cost efficiencies, a strong balance sheet and the capability to deliver on the group's strategic intentions. Shareholders' capital was managed with great care and is reflected by the switch to higher-return industries and a lighter asset orientation. As detailed in the chief executive officer's report, the focus is on pursuing decreased risk and cyclicity of operational earnings without forfeiting growth.

Acquisitions and greenfield investments in existing or complementary businesses are being carefully pursued, with an ongoing emphasis on optimal capital management.

Despite major restructuring and tough market conditions since 2007, Imperial has continued

paying dividends, albeit at a lower level due to credit and industry circumstances.

### Sustainable development

Leadership skills and technical training are key drivers for our business and therefore prominent in our people development initiatives. These initiatives together with our on-going management development programmes are important in achieving our transformation goals.

During the year, R24 million was invested in a second state-of-the-art technical training centre. In addition, Imperial spent over R61 million during the year on training and development for our people – a key stakeholder group. People development and transformation has now been elevated to an executive portfolio, underscoring the importance of these initiatives in the group's sustainable growth.

Imperial has been recognised for its commitment to skills development in the logistics and supply chain industry through awards including Corporate Educator of the Year and was recognised by the Department of Labour for good practice in skills development.

Imperial companies remain active in the communities that provide our employees, nurture our future leaders and buy our products and services. The opening of an administration block at an underprivileged school in Gauteng, noted earlier, is visible evidence of this commitment. Through the Imperial Ukhamba Community Development Trust, and in close co-operation with the Gauteng Education Department, our active initiatives benefit some 3 500 learners from disadvantaged backgrounds during the vital formative years.

### Corporate governance

The principles contained in King II are reflected in the group's corporate governance



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

COMPANY OVERVIEW

CHAIRMAN'S REPORT

CEO'S REPORT

OPERATIONAL REVIEWS

FINANCIAL DIRECTORS REPORT

SUSTAINABILITY REPORT

CORPORATE GOVERNANCE

structures and are reviewed to accommodate organisational changes and any developments in this area. We believe our overall corporate governance standards will stand us in good stead to comply with the requirements of King III which is effective from our new financial year. Our sub-committees that cover the various aspects of corporate governance including audit, risk, remuneration, treasury and transformation are functioning well.

### Directorate and management

The Imperial board now has 15 members, with a good balance between independent, non-executive and executive directors. Of the nine non-executive directors, six are independent according to the King II codes of corporate governance.

During the year, Max Sisulu resigned as a director of the group following his election as speaker of the National Assembly. Nazeer Hoosen, who was an executive director and also joint managing director of Regent group, resigned during the year. We thank both Max and Nazeer for their respective contributions over the years.

Several changes have been made to Imperial's executive committee, strengthening this team and broadening its base of skills. In May 2009, David Gnodde joined the executive committee of Imperial Holdings after being appointed chief executive officer of the Regent group, comprising of Regent Insurance Company Limited and Regent Life Assurance Company Limited. Prior to that, he was an executive director and chief operating officer of the Professional Provident Society (PPS).

At year end, Moeketsi Mosola and Berenice Francis were appointed to Imperial's executive committee. Moeketsi was previously the CEO of SA Tourism, after serving as chief director in the Department of Environmental Affairs and Tourism and as a director at the Department

of Provincial and Local Government. He will head the group's tourism division including Springbok Atlas (touring and charter), Grosvenor Tours, Eastgate Safaris and Imperial Chauffeur Drive. Berenice joined Imperial Holdings in July 2008 as group risk manager, after serving as chief risk officer of the State IT Agency (SITA). Her portfolio on the executive committee will be risk, transformation and people development.

An executive share purchase scheme was established in June 2005 under which 115 senior managers of the group were granted interest-bearing loans to acquire shares in the company. This loan was impaired in the previous year due to the shortfall of its balance against the underlying shares. The outstanding debt, including interest to the end of June 2009, was R170 per share compared to the combined share price of Imperial and Eqstra of R65. This amount is unlikely to be recovered due to the shortfall which would escalate as interest of approximately R1,50 per share accrues monthly.

The board considered the very strong possibility that the debt would not be finally recoverable against the serious consequences of instituting collection action against our senior management which would not be in the interest of the group. Accordingly, the board has resolved to settle the shortfall on the loans to senior management after the sale of the underlying shares by using the related impairment provisions created in previous years. In respect of the executive directors, a special share appreciation right award has been made to assist in settling the loan in due course. It is not anticipated that the termination of this share purchase scheme will require any further impairments or cost to the group.

### Black economic empowerment

We believe black economic empowerment (BEE) is a strategic imperative and that our

future success and sustainability depends on it. We are committed to transformation and empowerment, and will continue to pursue and promote all facets of empowerment in our business.

Although recent global economic events have put pressure on BEE deals, we remain committed to our BEE partners Ukhamba Holdings and Lereko Mobility.

During the year Imperial issued a guarantee in support of Lereko Mobility in favour of its lenders to underpin the transaction. In July 886 269 deferred shares owned by Ukhamba were converted into ordinary shares and listed.

### Acknowledgements

The review period fully tested the mettle of the Imperial Group. It also demonstrated the calibre and commitment of people at every level. On behalf of the board, sincere thanks to Hubert Brody and his executive management team for keeping this group firmly on the path to sustainable growth and steady returns.

I thank my fellow board members for their insight and counsel which plays such a valuable role in refining the strategy that is spearheading our growth.

**Thulani S Gcabashe**

Chairman

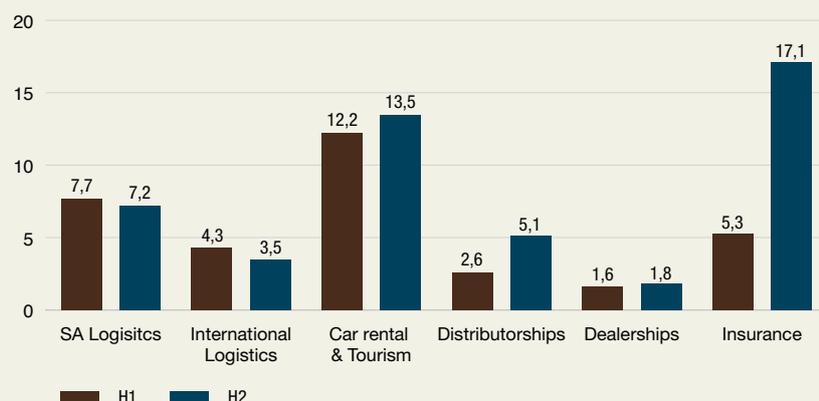
25 August 2009

# CHIEF EXECUTIVE OFFICER'S REPORT



**Hubert Brody** Chief executive officer

## 2009 OPERATING MARGINS



**RESULTS FOR THE YEAR UNDERSCORE THE BENEFITS OF STREAMLINING THE GROUP. IMPERIAL'S STRONG BALANCE SHEET AND REBALANCED PORTFOLIO OF BUSINESSES POSITION US WELL IN THE CURRENT MARKET.**

### IN THIS SECTION:

- ▶ Trading environment and performance
- ▶ Vehicle sales
- ▶ Financial results
- ▶ Future strategic focus
- ▶ Expansion of the group during the year
- ▶ Skills development, health and social investments
- ▶ Appreciation
- ▶ Prospects

We are pleased with our results for the year to 30 June 2009, which were achieved under very difficult economic conditions, particularly in Europe and in the motor retailing environment.

Headline earnings per share (HEPS) from continuing operations were 13% higher than last year at 698 cents, and capital management and cash flow were good. Divisional results generally exceeded our expectations, which were in turn tempered by the sudden downturn in the economy during the year.

These results underscore the benefits of rationalisation in the first half of the year

and of recent strategic restructuring actions that included streamlining the group and the closure or sale of a number of weak and underperforming businesses. Over the past two years we were also steadfast in our resolve to exit businesses that were inefficient in their utilisation of capital. In this respect we are disposing of our shareholding in Imperial Bank to Nedbank for R1 775 million.

Despite the sale of our shareholding in Imperial Bank, our motor dealerships will have a relationship with Nedbank which will facilitate the seamless continuation of vehicle finance to customers and continued benefit to our group from the financial

services product range that we currently offer.

### Trading environment and performance

Trading conditions were very difficult in most of our businesses for most of the year. Specifically, vehicle retailing in South Africa, the United Kingdom and Australia and logistics in Germany experienced unparalleled challenges while car rental, tourism and the southern African logistics businesses were also under pressure.

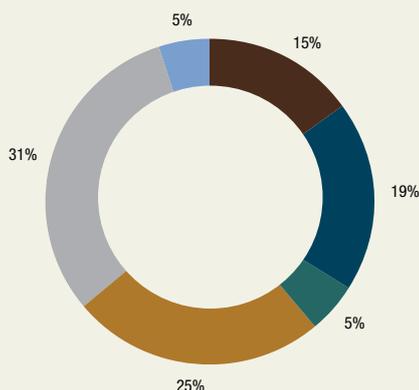
The group's logistics operations in Europe performed well in the first half, but the global financial crisis caused a drastic decline



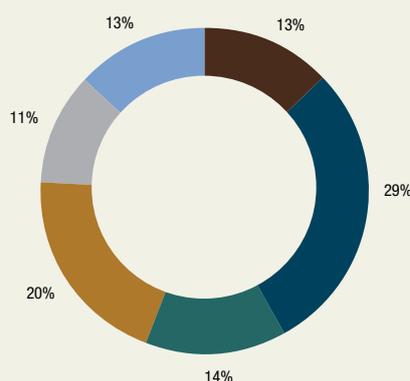
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## DIVISIONAL STATISTICS

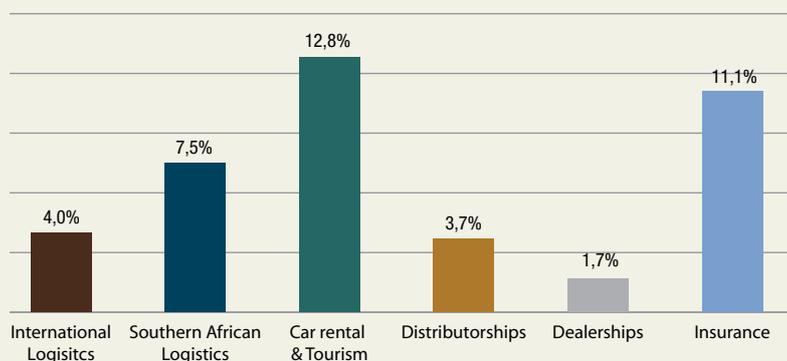
### REVENUE CONTRIBUTION



### OPERATING PROFIT CONTRIBUTION



### OPERATING MARGIN



in logistics volumes from November. The southern African logistics business was also affected and did well to increase its operating profit by 5,4%, with solid margins in a year when a nine-day strike in the transport industry affected profitability.

The motor retailing division and Associated Motor Holdings, which is the largest business in the distributorships division, excelled in the manner in which they reacted to tough trading conditions and we are delighted with their performance over the year and the rationalisation and cost-conservation steps taken. Conditions, particularly in motor retailing, however remain extremely difficult, in a market that has halved since 2006.

The year saw significant internal streamlining and procedural improvements in the Regent group subsequent to combining the two operations (life and short-term insurance) under one co-ordinated management team. Far-reaching management changes took place during this process and we believe underwriting results are becoming more consistent and sustainable again.

Our exposure to equities has been reduced to a level appropriate for an industrial group, although we will explore avenues to improve the yield on our shareholders' capital and float. The Regent group is an important component in the total design and capital management balance

of our group and has solid cash-generation capabilities.

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. This is well below management's target range of 60 – 80%.

Notably, revenue from services again increased in the review period and now accounts for over 40% of total revenue.

Included in headline earnings for 2009 was a foreign exchange gain of 212 cents per share (R394 million, 2008: R150 million) realised on repatriating some of the capital of our European operations. Our offshore

## CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED...

businesses serve as a natural hedge against currency weakness and capital is repatriated from time to time when the exchange rate is favourable.

### Vehicle sales

In southern Africa, the group retailed 53 241 new and 47 925 used vehicles, respectively 35% and 19% down on last year. Notably, the vehicle sales market in South Africa for the year to 30 June 2009 recorded a 30% decrease. This can only be described as severe circumstances for businesses where some 80% of overheads are fixed. The decline in the total vehicle market as well as the closure of 40 new and used car dealerships contributed to the drop in our vehicle sales. It is noteworthy however that the mix of new and used vehicles is nearly at a ratio of 1:1, which is viewed as healthy. The group also sold 10 002 new vehicles to outside dealers as a distributor, a 40% decrease from last year. The Australian, Swedish and United Kingdom operations sold 10 727 new and 4 460 used vehicles, respectively 85% and 93% of last year's sales.

### Financial results

The group returned a profit attributable to Imperial shareholders of R1 518 million compared to a loss of R870 million in the prior year. The loss in the prior year included losses on the disposal and closure of the aviation and commercial vehicle assembly and distribution businesses, and in the current year, the gain on the disposal of Tourvest is included. Continuing operations recorded a 13% increase in headline earnings to R1 294 million or 698 cents per share.

Net debt (excluding preference shares) was R5,1 billion compared to R8,5 billion a year ago, a decline of 39%. This reflects the strong focus placed on cash and liquidity management during the year.

In the current economic climate, net capital expenditure was 33% lower at R1 755 million, primarily because of lower expansion capital

expenditure. Replacement capital expenditure was maintained at prior-year levels.

A final ordinary dividend of 120 cents per share was declared, bringing the total ordinary dividend for the year to 200 cents per share.

### Future strategic focus

Through the recent restructuring of the group, we have succeeded in strengthening the balance sheet and management can now focus on expansion into our chosen focus areas. These areas are logistics, tourism and selected aspects of financial services that are aligned to our current business.

Internationally, our expansion will be aligned to Imperial Logistics International, and opportunities in Europe in the current depressed regional economies are beginning to emerge. Our southern African logistics division will continue its organic and acquisitive growth and we will also pursue acquisitions that are adjacent to our current operations and skills base where we have a competitive advantage.

In line with our stated goal of enhancing capital efficiencies and entering adjacent industries, the southern African logistics business created a fourth division housing its integrated services. Volition, recently acquired, has been transferred to this unit, and the objective is to complement and enhance the existing service offerings of Imperial Logistics with professional services leveraging people, processes and information technology assets.

We believe tourism in southern Africa has significant potential and will investigate related opportunities carefully with the intention of expanding the business in a manner that amplifies our current strong base in inbound tour operations and coach touring. We have appointed Moeketsi Mosola, the former CEO of SA Tourism, to build and carry out this initiative.

The strategy to limit the group's relative exposure to the motor retailing industry

continues. Far-reaching steps have been taken to right-size our motor operations in line with our expectations for motor vehicle demand and our requirements for return on capital.

### Expansion of the group during the year

In line with our refined focus, corporate activity was again concentrated in our logistics division during the year.

The southern African logistics operations acquired majority stakes in Tip Trans Holdings, Express Hauliers, Logistical Transportation Services, Rustgold, Volition Consulting Services and the minority shareholding in Liebentrans. Imperial Logistics International acquired Hansmann, a logistics provider to the motor industry in Wolfsburg, Germany, and Garex, which provides similar services in Poland.

The car rental and tourism division acquired the businesses of U-Drive, AA Autobay and Gage Car Hire Brokers.

The dealership division acquired Key Delta, a franchise for Opel, Isuzu and Chevrolet, as well as the minority shareholders in Beekman Canopies and Jurgens Caravans.

We established a joint venture with McCarthy Motor Holdings to import and distribute Chinese manufactured vehicles.

### Skills development, health and social investments

The group's training centre in Germiston, Gauteng for petrol and diesel mechanics was completed at a cost of R24 million and opened during the year. The centre is aligned to the MERSETA (the industry sector and education training authority), and has capacity to train 640 apprentices per year, in conjunction with existing group facilities. Quality standards in the group's dealerships will be maintained through this training initiative which also contributes to addressing the national skills shortage in this area.

Leadership and management development programmes with a strong focus on black management development are under way in all divisions.

The Imperial Ukhamba Community Development Trust supports three schools in under-privileged parts of Gauteng and has spent over R11 million at these schools since its inception. The projects have achieved significant progress in terms of numeracy and support 3 500 learners through curriculum development, textbooks, teacher training and construction of much-needed infrastructure.

### Appreciation

If 2008 was a difficult year for the Imperial group, amid widespread restructuring, 2009 added unprecedented global turmoil. The performance of our 34 353-strong workforce under these conditions was no less than inspirational and I thank every one of you.

The steady support of our suppliers, customers, partners and the public sector, as well as the counsel of my colleagues on the executive committee and the members of the board, is deeply appreciated.

### Prospects

The southern African logistics industry is expected to remain under pressure for most of the 2010 financial year, although business activity is adequate for the division to deliver satisfactory returns.

Conditions in Europe remain tough. However, the rise in commodity prices indicates growing demand by global manufacturers which would increase activity in Imperial Logistics International. Later in the financial year we expect that certain important customers in the steel industry will recommission furnaces that were prematurely closed for scheduled maintenance. When this happens, it will contribute to higher volumes in the in- and outbound logistics operations we conduct for them.

The car rental and tourism division is currently operating under difficult trading conditions

given a weak international inbound tourism market, slowdown in business travel and a sluggish used vehicle market. While we expect a slow but sure recovery in these markets, international sporting and cultural events, including the FIFA World Cup, will provide further stimulus to the division in the second half of the new financial year. We will not build significant capacity for these events in isolation, however higher utilisation and consequently better margins are expected.

While our motor vehicle retailing divisions have started to benefit from cost savings, we expect vehicle sales to remain weak in the year ahead.

Underwriting results will be maintained in our insurance operations and investment results are expected to improve. The lower equity content in the portfolios will provide more stability to the performance of this division.

While early signs of improvement in the global economies are beginning to emerge, business conditions in all our markets remain tough. Our strong balance sheet and rebalanced portfolio of businesses position us well in the current market.



**Hubert Brody**

Chief executive officer

25 August 2009

FAST MOVING  
FORWARD THINKING



# IMPERIAL





for more information please visit  
[www.imperial.co.za/ar2009/operational/logistics.asp](http://www.imperial.co.za/ar2009/operational/logistics.asp)

## DIVISIONAL REVIEW > LOGISTICS



**Marius Swanepoel**, Chief executive officer of Imperial Logistics in southern Africa.



**Gerhard Riemann**, Chief executive officer of Imperial Logistics International.

**THE SUSTAINABLE GROWTH EXPECTED IN THIS DIVISION, WHICH NOW ACCOUNTS FOR OVER 40% OF OPERATING PROFIT, IS A CORNERSTONE OF IMPERIAL'S LONG-TERM STRATEGY, REINFORCED BY PRUDENT ORGANIC EXPANSION, AN EXTENDED SERVICE OFFERING AND THE ONGOING GLOBAL TREND TOWARDS OUTSOURCING LOGISTICS.**

### DIVISIONAL CONTRIBUTION

**34%**

Revenue

**42%**

Operating profit

**46%**

Profit before tax and exceptionals

### LOGISTICS

	2009	2008	% change
Revenue	<b>17 877</b>	17 986	(1)
Operating profit	<b>1 058</b>	1 103	(4)
Net financing cost	<b>(188)</b>	(130)	45
Profit before tax and exceptional items	<b>916</b>	1 000	(8)
Operating assets	<b>9 199</b>	10 456	(12)
Non-interest-bearing liabilities	<b>3 539</b>	4 394	(19)
Capital expenditure	<b>997</b>	1 371	(27)
Operating margin (%)	<b>5,9</b>	6,1	
Employees	<b>18 192</b>	18 863	(4)

Imperial Logistics is the leading logistics and supply chain provider in southern Africa, offering integrated solutions to a diverse range of blue-chip customers across all major industries. Offshore, our logistics operations are housed in Imperial Logistics International, which provides inland waterway shipping, inland port operations, contract logistics solutions including warehousing and parts distribution, road transport, container handling, ocean ship broking and related value-added services.

The group's logistics operations are a major contributor to results, a geographically diversified income stream and intra-group synergies.

The division has two distinct businesses – southern Africa and international – with different markets and different drivers. Common to both is a business approach that extends well beyond transport and warehousing into strategic supply chain partnerships. By adding value, improving service, reducing cost, understanding customers' operations and exceeding their individual supply chain requirements, these Imperial companies are entrenching their role as strategic partners to their customers.

Equally, their respective specialisation in specific supply chains is underpinning growth into new markets. In Europe, for example, Imperial occupies key positions in inland ports which, combined with its leadership in inland waterway shipping, is ensuring long-term

strength in the hub of the continental freight industry.

At industry level, Imperial's southern African logistics operation is developing key partnerships with institutions focused on developing intelligent solutions to logistics and supply chain challenges. In April 2009, the fifth annual logistics survey was presented by the Council for Scientific and Industrial Research (CSIR) and Imperial Logistics. Since the inaugural publication in 2004, this research document has become a premier reference for logistics and supply chain management in South Africa, providing valuable support to decision-makers in developing important policies, and in making strategic infrastructure investment and maintenance decisions that will support sustainable industry and small business development.

During the review period, the logistics division contributed 34% of group revenue and 42% of operating profit, up from 31% and 38% in 2008 respectively. The sustainable growth expected in this division is the cornerstone of Imperial's long-term strategy, reinforced by prudent organic expansion, an extended service offering – particularly at strategic level – and the ongoing global trend towards outsourcing logistics.

Despite extremely challenging trading conditions, strategic acquisitions during the year have again deepened the capabilities and skills within this core division.

## DIVISIONAL REVIEW > LOGISTICS CONTINUED...

### HIGHLIGHTS

- Contribution increased to 34% of group revenue and 42% of operating profit despite challenging trading conditions
- Strategic acquisitions deepen divisional capabilities and skills, locally and offshore
- Focus on complementary services that provide annuity income formalised in new southern African division

#### MACRO DRIVERS

- GDP growth
- Low interest rates
- Outsourcing trends
- Partnerships with state-owned enterprises
- Import and export activity

#### PERFORMANCE DRIVERS

- New business gains
- Price escalations
- Customer success
- Cost control
- Asset utilisation

#### RISKS

- Weak economic growth in southern Africa and Europe
- A strong rand
- Used truck prices
- HIV/Aids

#### STRATEGIES

- Integrated, value-adding solutions
- Combine our global logistics interests
- Focus on outsourcing opportunities
- Multi-modal solutions
- Growth, with an asset-light emphasis

### Southern African logistics

	2009 Rm	2008 Rm	Change %	H2 Rm	H1 Rm	Change %
Revenue	9 831	9 733	1,0	4 523	5 308	(14,8)
Operating profit	738	700	5,4	327	411	(20,4)
Operating margin (%)	7,5	7,2		7,2	7,7	

Imperial Logistics Southern Africa comprises four core divisions after the recent establishment of the integration services division:

- ▶ **Transport and warehousing** – focuses mainly on the automotive, construction, lubricants, mining, packaging, paper and glass industries. It delivers complete logistics and supply chain services throughout southern Africa with offices in various African countries.
- ▶ **Specialised freight** – operates the largest fleet of bulk tankers in southern Africa under well-known brand names such as Tanker Services, focused on

the food, chemicals, fuels and gas, construction and mining industries.

- ▶ **Consumer logistics** – focuses on the fast-moving consumer goods (FMCG) and retail industry. It offers integrated supply chain solutions to a wide range of FMCG companies, as well as the agriculture and furniture markets.
- ▶ **Integrated services** – houses fee-earning asset-light businesses that provide innovative logistics solutions to complement and enhance existing divisional service offerings with professional services by leveraging skills, processes and information technology.

During the review period, the division made several acquisitions to broaden its footprint and expand its services:

- ▶ 60% of Tip Trans Holdings
- ▶ 60% of Express Hauliers
- ▶ 70% of Logistical Transportation Services
- ▶ 55% of Rustgold
- ▶ 50,1% of Volition Consulting Services
- ▶ the minority shareholder in Liebenrans

The division also strengthened its business in Zimbabwe by modernising its fleet of 150 vehicles as business conditions improve in that country.

#### Results

For the review period, the southern African logistics division did well to increase its operating profit by over 5% and improve margins. Trading conditions deteriorated

from October 2008 with a general slowdown in manufacturing, mining, fuel, commodities, construction, as well as imports and exports. By contrast, the distribution of fast-moving consumer goods was more resilient, although volumes declined in the second half. The division has a well-balanced portfolio of businesses that can benefit from changing over-spending patterns towards more affordable products.

In addition, the national transportation strike which persisted for nine days in April 2009 proved costly.

## International logistics

	2009 Rm	2008 Rm	Change %	H2 Rm	H1 Rm	Change %
Revenue	8 046	8 253	(2,5)	3 360	4 686	(28,3)
Operating profit	320	403	(20,6)	118	202	(41,6)
Operating margin (%)	4,0	4,9		3,5	4,3	

Imperial Logistics International's operations include logistics services, warehousing, clearing and forwarding, container operations and multi-modal transportation. Global services range from complex warehousing and distribution projects to made-to-measure water, air and land transport.

Importantly, the business is known for its customer focus in developing market and future-oriented solutions for national and international logistics challenges that satisfy high standards of quality, reliability and transparency. Imperial International manages four logistics services providers and their subsidiaries and affiliates:

- ▶ **Imperial Reederei** – Europe's leading inland shipping company with a transport volume of over 45 million tonnes per annum, focused on bulk cargo and container shipping in European river and canal systems, and dovetailing effectively with its inter-modal operations.
- ▶ **Panopa Logistik** – customised contract logistics services provider specialising in highly complex services focused on automobile, steel and spare parts logistics with a blue-chip customer base.

A number of valuable new contracts were won during the year. These are absorbing some of the capacity created by lower demand.

The fleet size grew marginally to just over 5 500 vehicles. The average age of the truck tractor fleet is approximately 3,5 years.

Net working capital decreased by R366 million, and gross capital expenditure was R201 million lower at R608 million.

- ▶ **Neska** – market leader for transshipment and warehousing along the Rhine River and European market leader in ferroalloy handling, with extensive storage and warehousing facilities in Germany and Belgium. The company uses a multi-modal system combining truck, rail and ship for national and international customers.

- ▶ **Brouwer Shipping and Chartering** – backed by a global network of established relationships, Brouwer focuses on ship chartering and transportation of bulk and other cargo such as steel, scrap, tubes and pipes, coke, coal, fertiliser, grain and fodder.

During the year, Imperial Logistics International acquired Hansmann, a logistics provider to the automotive industry in Wolfsburg, Germany, and Garex which provides similar services in Poland.

## Results

After a good start, the global economic crisis caused a dramatic reversal in the second half of the period, although the business remained profitable and managed to contain the pressure on margins.

## IMPERIAL LOGISTICS INTERNATIONAL IS KNOWN FOR ITS CUSTOMER FOCUS IN DEVELOPING LASTING SOLUTIONS FOR INTERNATIONAL LOGISTICS CHALLENGES. THIS WILL POSITION THE COMPANY WELL FOR THE DIFFICULT TRADING CONDITIONS EXPECTED FOR MUCH OF THE NEW FINANCIAL YEAR BEFORE A SLOW RECOVERY TAKES HOLD.

The downturn in international demand for steel, industrial chemicals and automotive products affected business volumes. Important customers in the steel industry curtailed production by shutting furnaces as scheduled maintenance programmes were brought forward.

The business responded by cutting costs aggressively. The inland waterway shipping business, Imperial Reederei, was hardest hit by the European recession. Fortunately, some of this decline was absorbed by cancelling short-term charters with shipping suppliers. The port-handling activities in Neska were also affected but cost structures were adjusted to limit the impact. The contract logistics and steel distribution businesses in Panopa equally challenging showed reasonable resilience under circumstances.

Due to weak trading in the road transport businesses of Gillhuber and Laabs, goodwill on those acquisitions was impaired.

We expect difficult trading conditions to persist for much of the new financial year before a slow recovery starts.

## DIVISIONAL REVIEW > CAR RENTAL AND TOURISM



**Osman Arbee**, Chief executive officer of car rental and chairman of the tourism operations.



**Moeketsi Mosola**, Chief executive officer of the tourism operations.

WITH CAR RENTAL OPERATIONS AND COMPLEMENTARY SERVICES COVERING THE SPECTRUM OF TRAVELLERS' NEEDS, IMPERIAL IS WELL PLACED TO CAPITALISE ON THE GROWING TOURISM MARKET IN SOUTHERN AFRICA.

### DIVISIONAL CONTRIBUTION

5%

Revenue

14%

Operating profit

14%

Profit before tax and exceptionals

### CAR RENTAL AND TOURISM

	2009	2008	% change
Revenue	2 618	2 712	(3)
Operating profit	336	365	(8)
Net financing cost	(91)	(70)	30
Profit before tax and exceptionals items	280	301	(7)
Operating assets	2 136	2 051	4
Non-interest-bearing liabilities	358	356	1
Capital expenditure	1 110	1 349	(18)
Operating margin (%)	12,8	13,5	
Employees	2 585	2 654	(3)

	2009 Rm	2008 Rm	Change %	H2 Rm	H1 Rm	Change %
Revenue	2 618	2 712	(3,5)	1 281	1 337	(4,2)
Operating profit	336	365	(7,9)	173	163	6,1
Operating margin (%)	12,8	13,5		13,5	12,2	

This division houses the car rental and tourism interests of Imperial. Vehicle rental operations span the domestic corporate and leisure sectors, insurance replacement market, as well as inbound tourists, with extensive support services available at over 136 locations across southern Africa. Imperial also has prime positions at all major airports, with contracts in place until 2014.

Following the conclusion of a long-term franchise agreement with Europcar International for the southern Africa region, the Imperial Car Rental and Europcar back offices were merged in 2008. In the second half of the review period, the "Imperial Car Rental is now Europcar" rebranding campaign was successfully implemented. The loss of goodwill associated with the old Imperial Car Rental brand was more than countered by the raised profile of the Europcar brand.

Imperial also has exclusive inbound/outbound referral agreements with National and Alamo, offering access to their respective global customer bases and global airline partnerships.

Tempest Car Hire, the pioneer of low-cost car rental in South Africa, is a trusted brand with an innovative business model that focuses on optimum use of assets. The positioning of this brand was strengthened during the year. A strong network of 37 branches is complemented by increasing use of the internet reservation system, and alliances with low-cost airlines.

Our car rental interests also include the Maui/ Britz franchise that rents out camper homes and 4x4 vehicles, and our recent acquisition, U-Drive, which specialises in renting of pick-up vehicles and related fleet management.

Holidayautos is a car rental broker specialising in local and international leisure car rental market, while Gage Car Hire, recently acquired, is a car rental broker that specialises in the insurance vehicle replacement market.

Auto Pedigree is the largest used car dealer network in South Africa, with 68 branches. Imperial's strategy is to dispose of the majority of vehicles from its car rental fleet into the retail market through this business. By offering



for more information please visit  
[www.imperial.co.za/ar2009/operational/carrental\\_tourism.asp](http://www.imperial.co.za/ar2009/operational/carrental_tourism.asp)

## HIGHLIGHTS

- Fewer inbound travellers and lower used car sales had slight impact on revenue but margins largely maintained
- Successful Europcar rebranding offers material long-term benefits
- Expanded footprint and capacity through prudent acquisitions
- Tourism businesses benefited from sporting events

### MACRO DRIVERS

- Economic growth
- Interest rates
- Geopolitical stability
- Exchange rates
- Growth in tourism

### PERFORMANCE DRIVERS

- Higher volumes through a fixed cost base
- Pricing
- Cost control and efficiencies
- State of the used car market

### RISKS

- Pricing policies in the car rental industry
- Crime
- Used car prices
- Ongoing international travel weakness
- Exchange rates

### STRATEGIES

- Acquisitions in niche markets
- Efficiency and process improvements
- Regional growth by appointing agents
- Selectively expand tourism interests

affordable, low-mileage vehicles and related added-value services – such as online finance and insurance – Auto Pedigree has become a trusted consumer brand. The AA Autobay brand that facilitates private vehicle sales has also recently been added to its stable.

Imperial's tourism businesses include Springbok Atlas, an inbound tour operator with 166 luxury coaches and smaller, more versatile vehicles, as well as Grosvenor Tours, an inbound tour operator that specialises in the North and South American markets. In addition, Imperial Chauffeur Drive provides a chauffeur drive service to the corporate and consumer markets through a fleet of 95 vehicles. Imperial Panelshops repairs the car rental vehicles and, to a lesser extent, services the rest of the group and other external customers.

### Results

Revenue for the year was lower due to a sudden reduction in demand and cancellation of forward bookings that affected both the first and second halves of the financial year, especially from foreign inbound travellers.

There was also a significant decline in unit sales of used vehicles at Auto Pedigree. The sudden reduction in demand initially caused lower fleet utilisation which was normalised in the second half of the year. Operating income was 8% lower at R336 million, but the operating margin improved in the second half.

We are confident that the rebranded car rental operation, Europcar, will reap long-term benefits from the investment in promotion, signage and technology which was absorbed in the current and prior years. The low-cost positioning of Tempest is showing early signs of success.

The operating margin in the car rental business declined due to lower utilisation rates, increased vehicle holding costs, the cost of rebranding to Europcar and additional technology spend. The acquisition of U-Drive made a positive contribution to profits.

Despite a very difficult vehicle market, Auto Pedigree performed satisfactorily, although revenue and operating profit were lower than last year.

The contribution from the tourism businesses, which include Springbok Atlas, was unchanged as cancellations and subsequent lower inbound tourist numbers were partially offset by good demand during the IPL cricket tournament and the Lions rugby tour. The coach replacement programme was revised in anticipation of the FIFA World Cup next year and future tourism opportunities.

## DIVISIONAL REVIEW > DISTRIBUTORSHIPS



**Manny de Canha**, Chief executive officer of Associated Motor Holdings



**Daan van der Linde**, Chief executive officer of Imperial Parts division.



**Martin Banner**, Chief executive officer of National Airways Corporation (NAC).

### DIVISIONAL CONTRIBUTION

25%

Revenue

20%

Operating profit

23%

Profit before tax and exceptionals

### DISTRIBUTORSHIPS

	2009	2008	% change
Revenue	13 112	15 056	(13)
Operating profit	491	744	(34)
Net financing cost	(188)	(186)	1
Profit before tax and exceptional items	307	514	(40)
Operating assets	6 656	7 061	(6)
Non-interest-bearing liabilities	2 708	2 424	12
Capital expenditure	545	1 219	(55)
Operating margin (%)	3,7	4,9	
Employees	5 465	6 137	(11)

THE CAREFULLY SELECTED RANGE OF BRANDS AND COMPLEMENTARY SERVICES IN THIS PORTFOLIO REDUCED THE WORST IMPACTS OF AN EXTREMELY WEAK MOTOR MARKET. PRUDENT RATIONALISATION AND THE FOCUS ON SERVICE OPERATIONS HAVE POSITIONED THE BUSINESS CORRECTLY FOR A VEHICLE MARKET THAT IS LIKELY TO REMAIN WEAK IN THE SHORT TERM.

	2009 Rm	2008 Rm	Change %	H2 Rm	H1 Rm	Change %
Revenue	13 112	15 056	(12,9)	6 051	7 061	(14,3)
Operating profit	491	744	(34,0)	309	182	69,8
Operating margin (%)	3,7	4,9		5,1	2,6	

Associated Motor Holdings (AMH) imports and distributes a range of passenger and light and heavy commercial vehicles, automotive products and motorcycles on behalf of principals in Asia, Europe and the United States. These brands are well accepted in the marketplace with good demand in the used car market. It also distributes home and industrial generators. It retails Ford passenger cars in Australia. The division is building meaningful related financial services operations in conjunction with banks and insurance companies.

The business of National Airways Corporation (NAC) is reported in this division, following the discontinuation of Imperial's aviation division. NAC is the leading aircraft sales organisation

in the African general aviation market, with distribution rights for Bell and Robinson helicopters and Beechcraft, Hawker, Diamond and Tecnam fixed-wing aircraft. NAC owns and operates 43 Air School, the largest pilot training school in the southern hemisphere, with bases in Port Alfred and Bisho. It also undertakes contract and charter flying to many African destinations.

The division's parts distribution operation supplies generic and original automotive and engine parts through Imperial Autoparts, Alert Engine Parts and Mikar.

During the year, Imperial acquired a 50% stake in McCarthy Automobile Distributors to create a joint-venture import and distributorship company for Chinese cars in South Africa.



for more information please visit  
[www.imperial.co.za/ar2009/operational/distributorships.asp](http://www.imperial.co.za/ar2009/operational/distributorships.asp)

## HIGHLIGHTS

- Against a weak motor market, cost management and rationalisation protected margins and limited decline in revenue
- Revenue from services maintained, in line with group strategy of focusing on service operations
- Australian dealerships recorded net profit after interest
- Good results from aircraft sales activities

### MACRO DRIVERS

- Economic growth
- Interest rates
- New consumers
- Currency movements
- Regulatory landscape

### PERFORMANCE DRIVERS

- New vehicle sales
- Cost containment and overhead absorption
- Sale of value-added products
- Working capital management
- Volume throughput
- Gross margin management

### RISKS

- Interest rate increases
- Exchange rate volatility
- Renewal of long-term distribution agreements
- Availability of consumer credit

### STRATEGIES

- Expand value-added product sales and downstream profit opportunities
- Improve customer satisfaction
- Build vehicle parque in brands
- Maintain good relations with suppliers

## Results

AMH responded effectively to the extremely weak motor market by cutting costs and closing unprofitable operations in the last quarter of 2008. Seventeen sales outlets were closed in the first half of the review period and, regrettably, headcount reduced by approximately 800. As a result, margins recovered well in the second half for the division as a whole, despite revenue being lower than the first half of the year.

New car sales volumes in AMH declined by slightly more than the market given that entry-level products were worst affected by the scarcity of bank credit. Any increase in risk appetite by banks will benefit this sub-segment.

Dealership closures cost approximately R30 million, resulting in annualised savings of over R100 million. This rationalisation will position the business correctly for a vehicle market that is likely to remain weak for the foreseeable future.

Currency fluctuations throughout the period had a marked impact on results. The rand was weak for most of the period, which was partly offset by price increases and some manufacturer assistance. However, benefits from the recent strengthening of the rand have already started to flow.

In line with our stated strategy of focusing on service operations, the division held its revenue from services at R1 214 million against R1 286 million last year while total revenue declined by 13%.

The Australian dealerships made a net profit after interest, even without a once-off VAT recovery of R25 million realised in the first half.

NAC posted good results, as aircraft sales were maintained and other activities contributed well. However, the forward order book is lower, which will put pressure on next year's results. As the leading general aviation sales organisation in Africa, NAC benefits from some stability in demand from African governmental agencies.

The auto parts business improved strongly over last year and returned solid results.

Trading conditions in our joint venture with Renault remained difficult, and we advanced a secured shareholder loan of R75 million to Renault SA in the first half of the review period.

## DIVISIONAL REVIEW > VEHICLE DEALERSHIPS



**Philip Michaux**, Chief executive officer of motor dealerships.

THIS BUSINESS HAS A CLEARLY DEFINED STRATEGY TO CONTINUE ITS PROUD RECORD OF GROWTH, INNOVATION AND TOP-QUALITY CUSTOMER SERVICE. THE BENEFITS OF THIS APPROACH WERE REFLECTED IN ACQUISITIONS AND FRANCHISE AWARDS DURING THE YEAR, WHICH WAS ARGUABLY ONE OF THE MOST DIFFICULT PERIODS FOR VEHICLE SALES IN RECENT MEMORY.

### DIVISIONAL CONTRIBUTION

**31%**

Revenue

**11%**

Operating profit

**7%**

Profit before tax and exceptionals

### VEHICLE DEALERSHIPS

	2009	2008	% change
Revenue	<b>16 691</b>	19 181	(13)
Operating profit	<b>279</b>	423	(34)
Net financing cost	<b>(185)</b>	(170)	9
Profit before tax and exceptional items	<b>142</b>	293	(52)
Operating assets	<b>4 932</b>	5 201	(5)
Non-interest-bearing liabilities	<b>1 658</b>	1 777	(7)
Capital expenditure	<b>297</b>	505	(41)
Operating margin (%)	<b>1,7</b>	2,2	
Employees	<b>6 802</b>	7 744	(12)

	2009 Rm	2008 Rm	Change %	H2 Rm	H1 Rm	Change %
Revenue	<b>16 691</b>	19 181	(13,0)	7 195	9 496	(24,2)
Operating profit	<b>279</b>	423	(34,0)	128	151	(15,2)
Operating margin (%)	<b>1,7</b>	2,2		1,8	1,6	

Imperial owns the largest network of motor dealerships in South Africa and represents all major original equipment manufacturers (OEMs).

The business has a clearly defined strategy to continue its proud record of growth, innovation and top-quality customer service. These critical success factors are all aimed at delivering superior returns and generating strong cash flows.

The spread of brands includes Alfa, Audi, BMW, Chrysler, Chevrolet, Dodge, Fiat, Ford, Freightliner, Fuso, Hino, Honda, Hummer, International, Isuzu, Iveco, Jaguar, Land Rover, Lexus, Mazda, MAN, Mercedes-Benz, Mini, Mitsubishi, Nissan, Nissan Diesel, Opel, Renault, Suzuki, Saab, Seat, Toyota, Volkswagen and Volvo.

In the United Kingdom, we retail DAF, MAN, Isuzu, Renault/Fiat and Hino commercial vehicles. In Sweden we have four dealerships retailing Nissan vehicles.

During the year, the dealership division acquired Key Delta Isando – an Opel, Isuzu, Chevrolet and Isuzu Truck franchise – and was awarded the Ford, Mazda, Volvo and Land Rover franchises for George and Knysna. In addition the minority shareholdings in Beekman Super Canopies and Jurgens CI were acquired.

### Results

It has been an extremely difficult year for vehicle sales, especially the second half when the total market declined by 34%, while the commercial vehicle market declined by 49%. Unit sales of passenger and light commercial vehicles in the division declined by more than the total market as a result of dealership closures, but the division outperformed the market in medium to extra-heavy commercial vehicles. While 23 unprofitable outlets were closed in the review period, the dealer portfolio is constantly being improved through rationalisation and modest expansion into areas that offer better trading prospects.



for more information please visit  
[www.imperial.co.za/ar2009/operational/vehicle.asp](http://www.imperial.co.za/ar2009/operational/vehicle.asp)

## HIGHLIGHTS

- New flagship dealerships performed well
- Revenue from services higher despite decline in total revenue
- Dealer portfolio constantly being improved through rationalisation and modest expansion into areas offering better trading prospects

### MACRO DRIVERS

- Economic growth
- Interest rates
- Consumer confidence
- Foreign exchange rates
- OEM performance
- Regulatory landscape

### PERFORMANCE DRIVERS

- New vehicle sales
- Cost containment and overhead absorption
- Sale of value-added products
- Working capital management

### RISKS

- Ability to source and retain skilled individuals
- Exchange rate
- Market exposure to interest rates
- Availability of consumer credit

### STRATEGIES

- Expand used vehicle sales
- Improve customer satisfaction
- Maintain good relations with our suppliers and customers

New flagship dealerships generally performed well. Importantly, and in line with the group strategy, revenue from rendering services increased by 8% against a decline of 13% in total revenue.

We view the operating margin of 1,7% as acceptable under the circumstances.

The main driver behind the recent slump in vehicle sales has been reduced lending by vehicle finance banks and, to a lesser extent, reduced demand. Recent rate cuts have not provided much relief yet, as banks increased their lending margins to compensate for liquidity constraints and to price correctly for risk following increased credit losses in their vehicle finance books.

The LDV franchise in the United Kingdom was closed following the insolvency of the LDV manufacturer. No further impairment charges are required. Operating profit from the DAF truck dealerships in the United Kingdom and the Nissan dealerships in Sweden declined

by 59% to R29 million. Trading conditions in the United Kingdom are expected to remain tough for the foreseeable future.

Jurgens recorded a loss due to a significant decline in consumer spending on leisure items, while Beekman Canopies performed very well in a market where light commercial sales were significantly lower.

## DIVISIONAL REVIEW > INSURANCE



**David Gnodde** Chief executive officer of Regent Group.

BY MERGING THE SHORT-TERM AND LIFE BUSINESSES, WE HAVE COMBINED THE BEST OF EACH OPERATION'S RESOURCES AND INFRASTRUCTURE TO OFFER CUSTOMERS A FULL SPECTRUM OF CONVENIENT AND COMPETITIVE PRODUCTS UNDER A SINGLE TEAM OPERATING ON A COMMON PLATFORM.

### DIVISIONAL CONTRIBUTION

5%

Revenue

13%

Operating profit

17%

Profit before tax and exceptionals

### INSURANCE

	2009	2008	% change
Revenue	2 847	2 594	10
Operating profit	315	227	39
Profit before tax and exceptional items	328	203	62
Operating assets	4 080	3 942	4
Non-interest-bearing liabilities	2 509	2 681	(6)
Capital expenditure	81	41	98
Operating margin (%)	11,1	8,8	
Employees	1 097	937	17

	2009 Rm	2008 Rm	Change %	H2 Rm	H1 Rm	Change %
Revenue	2 847	2 594	9,8	1 393	1 454	(4,2)
Investment income including fair value adjustments (gross)	140	182	(23,1)	133	7	
Underwriting and other	175	45	288,9	105	70	50,0
Operating profit	315	227	38,8	238	77	209,1
Underwriting margin (%)	6,1	1,7		7,5	4,8	

The group's niche insurance operations are focused on a range of short-, medium- and long-term insurance and assurance products. These are predominantly associated with the automotive market and Imperial's mobility proposition.

Effective 1 July 2008, the short-term and life businesses were merged under the Regent brand, combining the best of each operation's resources and infrastructure:

- ▶ Life products concentrate on convenient policies covering vehicle buyers against death and disability for the term of a finance agreement. Regent also offers group life and individual life cover to a growing base of customers.
- ▶ Short-term products span the transport and mobility markets. Policies are sold through motor dealers and on behalf of finance institutions.
- ▶ Regent also has a growing broker network through which it underwrites cover for various personal lines.

Regent now offers customers a full spectrum of convenient and competitive products through a single team operating on a common platform. The merger has also strengthened management resources, and enabled greater focus on strategic growth areas.

As anticipated, the introduction of the National Credit Act (NCA) in June 2007 has had a long-lasting effect on the financial services industry, leading to lower premium income flow, persistency and investment income. To counter this impact while providing vital financial security for consumers, Regent has focused on service levels, enhancing value and innovation in its product ranges, and containing costs.

During the year, the Regent group acquired the remaining minority shareholding in SA Warranties and closed a mortgage origination business unit.

### Results

Gross premium income increased by 10%. Strong contributors to this increase were



for more information please visit  
[www.imperial.co.za/ar2009/operational/insurance.asp](http://www.imperial.co.za/ar2009/operational/insurance.asp)

## HIGHLIGHTS

- Merger of short-term and life businesses results in estimated annualised savings of R35 million
- Gross premium income up 10%, while underwriting results nearly four times better than last year
- Capital base strengthened, lifting solvency margins and capital adequacy ratio well above minimum regulatory levels

### MACRO DRIVERS

- Economic growth
- Interest rates
- Motor vehicle sales

### PERFORMANCE DRIVERS

- Economies of scale
- New products
- Assumed risk and reinsurance
- Actuarial assumptions

### RISKS

- Investment returns
- Actuarial assessments
- Underwriting cycles
- Policy lapse rates

### STRATEGIES

- Access new, related markets
- Further develop cross-selling channels within the group
- Process and product design and efficiency

the Botswana life and short-term operations as well as the heavy commercial vehicles insurance operation where our market share increased. The depressed motor vehicle market resulted in lower premium income in the motor comprehensive and motor-related credit life products.

The operational merger of Regent Insurance and Regent Life has been completed with estimated annualised savings of R35 million. A new chief executive officer, David Gnodde, has been appointed.

A combined underwriting result of R175 million was achieved, nearly four times better than last year. The Botswana operations contributed well, although the credit life business in that country will reduce in 2010 following the loss of a large account. The short-term business in Botswana should remain strong. The underwriting result in South Africa from motor comprehensive business remained weak in line with the market, but was adequately compensated for by results from heavy commercial vehicles and warranty products.

Underwriting income was substantially higher in the second half following the actuarial review and release of approximately R57 million of life assurance reserves held at December 2008. The reduced expense base from the merger of Regent Life and Regent Insurance contributed to the release, as did changes in economic and experience assumptions. The balance of growth arose from cell captive business consolidated in the second half and an improvement in salvage and recoveries from third parties.

Subsequent to the introduction of cell captives in January, we have now accounted for our external partners' share of such profits as income attributable to minorities. The positive impact on operating profits due to this was R30 million in the second half.

The overall investment return for the year was disappointing due to large fair value adjustments in the equities portfolio in the first half. Investment income, including fair value losses, was 23% lower than last year. The equities portfolio was reduced to 17% of total

investible funds during the year. If a long-term investment return of 11,5% was applied to the portfolio, our return on embedded value would have exceeded 25% in both companies.

We invested a further R250 million of capital into the Regent group, bringing the short-term solvency margin to 47% and life capital adequacy ratio to 2,9 times at year end. The measures are well above regulatory minimum levels.

As indicated before, the recovery of our insurance division will take some time. We are satisfied with the progress since restructuring this business and after merging the two entities.

## FINANCIAL DIRECTOR'S REPORT



**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.



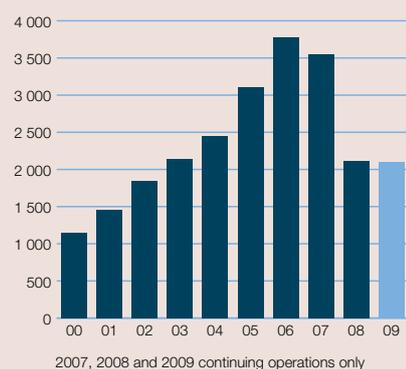
**Hafiz Mahomed**

Financial director

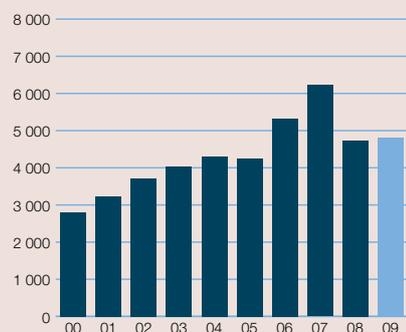
25 August 2009

## 10-YEAR REVIEW

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



### NET ASSET VALUE PER SHARE (cents)

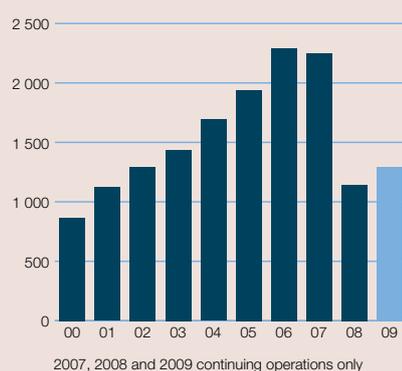


	10 year compound growth	2009 Rm
<b>Income statement – headline earnings</b>		
Revenue/turnover	13	52 219
Profit from operations before the following:		4 157
Depreciation, amortisation and recoupments		(1 237)
Net financing costs		(923)
Income from associates and joint ventures		107
Profit before taxation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

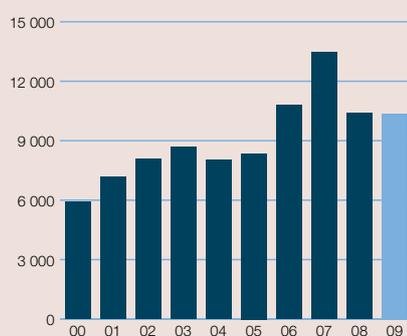
	See note 1							
2008	2007	2006	2005	2004	2003	2002	2001	2000
Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
55 927	54 451	54 105	42 605	34 747	32 277	28 122	21 874	14 944
3 728	4 681	5 904	4 898	3 954	3 741	3 364	2 672	1 914
(1 086)	(889)	(1 632)	(1 390)	(1 256)	(1 216)	(1 078)	(824)	(612)
(807)	(478)	(782)	(586)	(478)	(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%

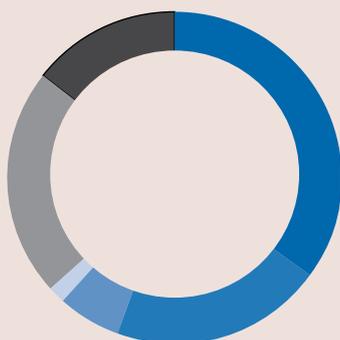
	Share class	Number of shares (000)	% of issued voting capital
Public Investment Corporation Limited	Ordinary	23 338	10,6
Ukhamba Holdings (Proprietary) Limited	Ordinary	5 973	2,7
Ukhamba Holdings (Proprietary) Limited	Deferred ordinary	16 782	7,6
Lereko Mobility (Proprietary) Limited	Preferred ordinary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

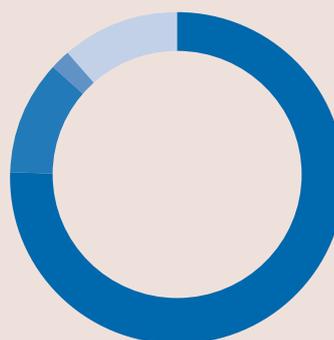
<sup>^</sup> Calculated using continuing headline earnings per share.

### 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**

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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



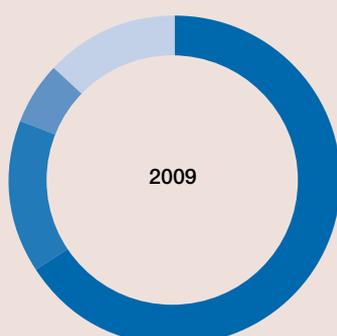
**RA Venter**  
Group Company Secretary

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>		<b>10 701</b>	
<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>	<b>10 701</b>	<b>100</b>
<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>		<b>6 623</b>	
<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>		<b>1 049</b>	



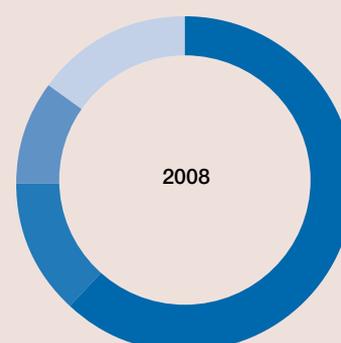
### Wealth distribution

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





## 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:

- ▶ Devising group strategy for recommendation to the board of directors and to implement the strategies and policies approved by the board

- ▶ Managing the business and affairs of the group.

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

- ▶ 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 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)



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FAST MOVING  
FORWARD THINKING

**IMPERIAL**

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. The group's independent external auditors, Deloitte & Touche have audited the financial statements and their unmodified report appears on page 51.

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

The annual financial statements are prepared on the going concern basis. Nothing has come to the attention of the directors to indicate that the group will not remain a going concern for the foreseeable future.

The annual financial statements set out on pages 52 to 143 were approved by the board of directors and are signed on their behalf by:



**TS Gcabashe**

Chairman

25 August 2009



**HR Brody**

Chief Executive



**AH Mahomed**

Financial Director

## CERTIFICATE BY COMPANY SECRETARY

In my capacity as company secretary, I hereby confirm that, for the period ended 30 June 2009, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, No 61 of 1973, as amended and that all such returns are true, correct and up to date.



**RA Venter**

Company Secretary

25 August 2009

# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF IMPERIAL HOLDINGS LIMITED

We have audited the annual financial statements and group annual financial statements of Imperial Holdings Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 30 June 2009, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 52 to 143.

## Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group as at 30 June 2009, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



## Deloitte & Touche

Registered Auditors

## Per MJ Comber

Partner

25 August 2009

Buildings 1 and 2  
Deloitte Place  
The Woodlands Office Park  
Woodlands Drive  
Sandton

## National Executive

GG Gelink (Chief Executive), AE Swiegers (Chief Operating Officer), GM Pinnock (Audit), DL Kennedy (Tax & Legal and Risk Advisory), L Geeringh (Consulting), L Bam (Corporate Finance), CR Beukman (Finance), TJ Brown (Clients & Markets), NT Mtoba (Chairman of the Board), CR Qually (Deputy Chairman of the Board)

A full list of partners and directors is available on request.

# DIRECTORS' REPORT

for the year ended 30 June 2009

## Nature of business

The nature of the business and operations is dealt with on pages 1 to 27.

## Financial performance

The net attributable profit for the year amounted to R1 518 million (2008: R870 million loss). The headline earnings per share for the year was 715 cents (2008: 718 cents).

The results for the year are set out in the income statement on page 61 of this report.

## Share capital

The authorised and issued share capital is detailed in note 17 to the financial statements on page 92.

The number of shares in issue at 30 June 2009 were as follows:

	Company	Repurchased shares	Net
Ordinary shares	212 129 870	(23 864 456)	188 265 414
Preferred ordinary shares	14 516 617		14 516 617
Deferred ordinary shares	16 781 968		16 781 968
<b>Total issued share capital</b>	<b>243 428 455</b>	<b>(23 864 456)</b>	<b>219 563 999</b>
The number of non-redeemable, non-participating preference shares in issue are:	4 540 041		4 540 041

The preference shares are classified as interest bearing debt in the balance sheet due to the cumulative nature of their dividend rights.

## Directors and secretary

The names of the directors and secretary who presently hold office are set on page 150 of this report.

In accordance with the articles of association, Messrs JR McAlpine and A Tugendhaft and Ms P Langeni retire by rotation at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

The aggregate interest of the directors in the issued ordinary share capital of the company is disclosed in note 17 to the financial statements on page 92.

## Imperial Holdings Share Appreciation Rights, Deferred Bonus and Conditional Share Plan Schemes

Details of the rights granted in terms of the schemes are set out in note 17 to the financial statements on page 92.

## Capital distribution and dividend

Details of the dividend are set out in note 33 to the financial statements on page 106.

## Subsidiaries

Details of the company's principal subsidiaries are reflected in Annexure A to the financial statements on page 130.

The attributable interest of the company in the aggregate income and losses of its subsidiaries after taxation for the year under review was as follows:

	2009 Rm	2008 Rm
Income	1 884	2 356
Losses	722	2 814

Changes to holdings in material subsidiaries and businesses were as follows:

Acquired by Imperial Holdings Limited	Nature of business	Percentage interest
U-Drive Car & Van Rental (Pty) Limited	Light commercial vehicle rental	100%
Gage Car Hire (Pty) Limited	Car hire	50%
Volition Consulting Services (Pty) Limited	Logistics consulting	50% plus one share
Express Hauliers (Pty) Limited	Logistics	60%
Rustgold Transport (Pty) Limited	Logistics	55%
Key Delta Isando	Vehicle dealership	100%
Tip Trans Holdings (Pty) Limited	Logistics	60%
Logistics Transport Services (Pty) Limited	Logistics	70%
<b>Acquired by Imperial Austria GmbH</b>		
Multinaut Donaulogistik Gesellschaft GmbH	Logistics	75%
Hansmann Logistic GmbH	Vehicle logistics	100%
Garex Sp.z.o.o.	Logistics	52%

### Disposals

The businesses of Safair (Pty) Limited and shares in Safair Lease Finance (Pty) Limited were sold to an Irish based group, Aergo Limited.

The group's interests in Tourism Investment Corporation Limited were sold to Primetime Trading 6 (Pty) Limited.

The group's interest in Carne Express was sold to outside parties.

### Special resolutions

The company passed the following special resolutions:

- Granting to the directors of the company a general authority for the acquisition by the company or any subsidiary, of ordinary shares in the company; and
- Granting to the directors of the company a specific authority for the acquisition by the company or any subsidiary, of ordinary shares in the company held by share schemes.

None of the other subsidiaries passed any special resolutions, the nature of which might be significant to members in their appreciation of the state of affairs of the group.

### Post balance sheet events

The group's 49,9% interest in Imperial Bank Limited was sold to Nedbank Limited with effect from 1 July 2009. The transaction remains subject to certain conditions precedent.

In terms of the Ukhamba Black Economic Empowerment transaction, 886 269 deferred ordinary shares have converted to ordinary shares with effect from 1 July 2009. These shares will be listed on the Johannesburg Securities Exchange.

### Accounting policies

The principal accounting policies of Imperial Holdings Limited and the disclosures made in the annual financial statements conform to International Financial Reporting Standards.

There were no changes to accounting policies during the year under review.

# REMUNERATION REPORT

## **Role of the remuneration and nomination committee and terms of reference**

The remuneration and nomination committee (the committee) is responsible for considering and making recommendations to the board on:

- Significant changes in personnel policy
- Approval of remuneration and benefits of executive directors
- Significant changes to the group pension and provident funds and medical aid schemes
- Share incentive schemes and allocations under the schemes
- Executive succession
- Increases to non-executive directors' fees
- Candidates for appointment to the board

## **Membership of the committee**

The members of the committee during the year were Thulani S Gcabashe (chairman), Phumzile Langeni, Roy McAlpine, Roddy Sparks and Oshy Tugendhaft\*, all of whom are non-executive directors. (\*Not independent)

The committee had five meetings during the past financial year. The Chief Executive Officer and Group Financial Director attend committee meetings and assist the committee in its deliberations, except when issues relating to their own remuneration are discussed. No director is involved in deciding his or her own remuneration.

## **Remuneration policy**

### ***Principles of executive remuneration***

Imperial's remuneration policy is formulated to attract and retain high-calibre executives and motivate them to develop and implement the company's business strategy in order to optimise long-term shareholder value. It is the intention that this policy should conform to best practice standards. The policy is framed around the following key principles:

- Total rewards are set at levels that are responsible and competitive within the relevant market;
- Total incentive-based rewards are earned through the achievement of demanding growth and return targets consistent with shareholder interests over the short, medium, and long term;
- Incentive plans, performance measures, and targets are structured to operate soundly throughout the business cycle; and
- The design of long-term incentive schemes is prudent and does not expose shareholders to unreasonable financial risk.

### ***Elements of executive remuneration***

Executive directors' remuneration comprises the following four principal elements:

- Base salary;
- Annual incentive bonus;
- Share Incentive Scheme; and
- Benefits.

The committee seeks to ensure an appropriate balance between the fixed and performance-related elements of executive directors' remuneration and between those aspects of the package linked to short-term financial performance and those linked to longer-term shareholder value creation. The policy relating to each component of remuneration is summarised below:

#### **Base salary**

The base salary of each executive director is subject to annual review and is set to be responsible and competitive with reference to external market practice in similar companies, which are comparable in terms of size, market sector, business complexity and international scope. Company performance, individual performance, and changes in responsibilities are also taken into account when determining annual base salaries.

#### **Annual incentive bonus**

All executive directors are eligible to receive a performance related annual bonus. The bonus is non-contractual and not pensionable. The committee reviews bonuses annually and determines the level of the bonus based on performance criteria set at the start of the performance period. The criteria include targets relating to HEPS growth, return on invested capital, Black Economic Empowerment and certain discretionary elements.

#### **Share Incentive Schemes**

Three long-term incentive plans were approved by shareholders on 18 April 2008. Participation in the schemes by executive directors and other senior executives is based on criteria set by the committee. The schemes embody the following elements:

*The Share Appreciation Rights Scheme (SAR)*

Selected participants will receive annual grants of Share Appreciation Rights, which are conditional rights to receive Imperial shares equal to the value of the difference between the exercise price and the grant price. Vesting of rights is subject to performance conditions. The performance conditions and performance period are determined by the board on an annual basis in respect of each new grant of rights.

The targets and measuring terms relating to each issue are detailed in the letter of grant. After vesting, the rights will become exercisable. Upon exercise by a participant the relevant employer company will settle the value of the difference between the exercise price and the grant price by delivering Imperial shares that will be purchased on the open market, alternatively, as a fall back provision only, by settling the value in cash or lastly the issue of new shares.

*The Conditional Share Plan (CSP)*

The CSP will be utilised in exceptional circumstances only. Employees will receive grants of conditional awards. Vesting of the conditional awards is subject to performance conditions. The performance conditions for the CSP will be based on individual targets set by the board. If the performance conditions are satisfied, the conditional awards will vest. If the performance conditions are not met, the conditional awards will lapse. No allocations have been made in terms of this scheme during the year.

*The Deferred Bonus Plan (DBP)*

Qualifying senior employees are permitted to use a portion of the after-tax component of their annual bonus to acquire Imperial shares (bonus shares) which are held in escrow. A simultaneous conditional matching award of Imperial shares is made to the participant on the condition that the participant remains in the employ of the group and retains the bonus shares over a fixed three year period. The participant remains the owner of the bonus shares for the duration of the three year period and will enjoy all shareholder rights in respect of the bonus shares. Bonus shares can be withdrawn from escrow at any stage, but the matching award is forfeited to the extent of the bonus shares withdrawn from escrow during the period. Bonus shares are settled by delivering Imperial shares that will be purchased on the open market, alternatively, as a fall back provision only, by the issue of new shares or lastly by settling the value in cash.

*Proposed amendments to the share schemes*

In line with the requirements of the JSE, certain amendments are being proposed to the schemes in order to align the rules of the schemes with the provisions of schedule 14 of the JSE Listings Requirements which have recently been updated. Details of the proposed amendments are included in the notice of annual general meeting on pages 145 to 149.

*Eligibility*

Any senior employee with significant managerial or other responsibility, including any director holding salaried employment or office in the group, is eligible to participate in the SAR, CSP and DBP.

A total of 15 313 524 share appreciation rights have been allocated in terms of the SAR scheme at an average price of R51,11 per share and a total of 417 865 DBP rights have been allocated.

**Retirement schemes**

Executive directors participate in contributory retirement schemes established by the group.

**Other benefits**

Executive directors are remunerated on a cost to company basis and as part of their package are entitled to a car allowance or a fully expensed car, provident fund contributions, medical insurance, death and disability insurance, and reimbursement of reasonable business expenses. The provision of these benefits is considered to be market competitive for executive positions.

**Other matters affecting remuneration of directors***External appointments*

Executive directors are not permitted to hold external directorships or offices without the approval of the board, other than those of a personal nature.

**Non-executive directors**

Fees payable to non-executive directors are proposed by the executive committee, reviewed by the remuneration and nomination committee and recommended to the board, which in turn makes recommendations to shareholders with reference to the fees paid by comparable companies, responsibilities taken by the non-executive directors and the importance attached to the retention and attraction of high-calibre individuals.

## REMUNERATION REPORT CONTINUED...

### Directors' fees

For the past financial year, each of the non-executive directors received directors' fees at the rate of R143 000 per annum (2008: R124 000). The Chairman received R357 500 (2008: R310 000) and the deputy chairman R253 400 (2008: R220 000). Non-executive directors who serve on the group committees each received fees per annum as follows: audit committee R74 750 (2008: R65 000); remuneration and nomination committee R52 800 (2008: R48 000), risk committee R52 800 (2008: R48 000), asset and liability committee R52 800 (2008: R48 000) and transformation committee R52 800 (2008: R48 000).

Executive directors receive no directors' or committee fees in addition to their normal remuneration.

### Increase in directors' fees

At the annual general meeting on 3 November 2009, members will be requested to approve the following increases in non-executive directors' remuneration:

– Board	from R143 000	to R154 000;
– Asset and liability committee	from R52 800	to R57 000;
– Audit committee	from R74 750	to R81 000;
– Risk committee	from R52 800	to R57 000;
– Remuneration and nomination committee	from R52 800	to R57 000;
– Transformation committee	from R52 800	to R57 000.

Chairmen of committees receive a chairman's fee of one and a half times a normal member's fee in addition to their member's fee, with the exception of the deputy chairman who receives a fee of R119 000 and the audit committee chairman who receives a fee of R161 250 in addition to his member's fee.

In arriving at the proposed fees, cognisance was taken of market trends and the increased responsibilities of non-executive directors in terms of new corporate governance and JSE requirements.

### Directors' remuneration

The table below provides an analysis of the emoluments paid to executive and non-executive directors of the company for the period ended 30 June 2009.

Name	Retirement and medical contributions		Other benefits (Note 1)	Directors' fees	Subsidiaries/associates and sub-committee fees	Total 2009	Total 2008
	Salary	Bonus					
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Non-executive</b>							
L Boyd							348
S Engelbrecht				143		143	
P Erasmus							115
TS Gcabashe				358	185	543	181
P Langeni				143	204	347	297
MJ Leeming				143	435	578	564
WG Lynch							1 200
JR McAlpine				143	265	408	377
VJ Mokoena							1 509
P Molefe							124
V Moosa				143	132	275	124
CE Scott							158
MV Sisulu (Note 3)				143	270	413	394
RJA Sparks				143	143	286	338
A Tugendhaft				253	180	433	370
Y Waja				143	393	536	440
				<b>1 755</b>	<b>2 207</b>	<b>3 962</b>	6 539

Name	Salary R'000	Bonus R'000	Retirement and medical contri- butions R'000	Other benefits (Note 1) R'000	Directors' fees R'000	Subsidiaries/ associates and sub- committee fees R'000	Total 2009 R'000	Total 2008 R'000
<b>Executive</b>								
OS Arbee	2 849	2 115	467	106			5 537	4 524
HR Brody	4 189	3 100	676	93			8 058	6 176
MP de Canha	3 028	1 900	489	227			5 644	4 876
RL Hiemstra	2 919	2 500	478	103			6 000	4 519
WS Hill								2 710
N Hoosen (Note 3)	892		151	5 577			6 620	3 503
AH Mahomed	3 791	2 975	613	203			7 582	5 850
GW Riemann (Note 2)	5 039	3 087	2 309	537	357		11 329	11 438
	<b>22 707</b>	<b>15 677</b>	<b>5 183</b>	<b>6 846</b>	<b>357</b>		<b>50 770</b>	43 596
<b>Total</b>	<b>22 707</b>	<b>15 677</b>	<b>5 183</b>	<b>6 846</b>	<b>2 112</b>	<b>2 207</b>	<b>54 732</b>	
June 2008	24 814	15 246	4 022	2 078	1 695	2 280		50 135

#### Notes

1. *Other benefits* – These include the fringe benefit value of company cars and motor car allowances.
2. *Overseas based* – GW Riemann is employed in Germany and his salary is paid in Euro based on the market conditions in that country. A special bonus of €250 000 was paid on extension of his contract until 2012.
3. *Resigned during the course of the year*. In addition to normal remuneration, an amount equal to 24 months' salary was paid as a benefit to N Hoosen and is included above.

#### Directors' service contracts

Directors' contracts are all terminable on one month's notice, with the exception of GW Riemann, who is employed on a fixed term contract that terminates on 30 June 2012 and RL Hiemstra who has a 24 month notice period.

None of the non-executive directors have a contract of employment with the company. Their appointments are made in terms of the company's articles of association and are initially confirmed at the first annual general meeting of shareholders following their appointment, and thereafter by rotation.

#### Incentive schemes

Executive directors participate in the incentive schemes, designed to recognise the contributions of senior staff to the growth in the company's equity. Within limits imposed by shareholders, rights are allocated to directors and senior staff. The equity linked compensation benefits for executive directors are set out below.

#### Participation in bonus rights scheme

	Commencement date	Number of shares	Price on commencement date R	Expiry date
OS Arbee	26 June 2007	20 000	150,08	June 2011
HR Brody	26 June 2007	20 000	150,08	June 2011
MP de Canha	26 June 2007	20 000	150,08	June 2011
RL Hiemstra	26 June 2007	20 000	150,08	June 2011
AH Mahomed	26 June 2007	20 000	150,08	June 2011

Bonus rights issued in November 2005 terminated in June 2009 with no rights vesting as the related performance conditions had not been met.

## REMUNERATION REPORT CONTINUED...

### Loans granted for the purchase of shares in terms of the Executive Share Purchase Scheme

	Number of shares	Loan balance R
OS Arbee	150 000	26 244 861
HR Brody	150 000	26 244 861
MP de Canha	150 000	26 244 861
RL Hiemstra	150 000	26 244 861
AH Mahomed	138 600	22 781 313

### Participation in the share appreciation rights scheme\*

	Commencement date	Number of rights	Price on commencement date R	Vesting date
OS Arbee	5 June 2008	369 031	49,46	15 September 2011
	18 June 2009	91 507	55,32	15 September 2012
HR Brody	5 June 2008	529 904	49,46	15 September 2011
	18 June 2009	154 700	55,32	15 September 2012
MP de Canha	5 June 2008	369 033	49,46	15 September 2011
	18 June 2009	100 186	55,32	15 September 2012
RL Hiemstra	5 June 2008	369 031	49,46	15 September 2011
	18 June 2009	93 590	55,32	15 September 2012
AH Mahomed	5 June 2008	506 850	49,46	15 September 2011
	18 June 2009	143 761	55,32	15 September 2012

\*The number of rights that will eventually vest is subject to the achievement of performance conditions linked to HEPS targets relative to a peer group selected from the Indi 25 index and ROIC targets relative to weighted cost of capital, and could be fewer than the number granted.

### Participation in the share appreciation rights scheme#

	Commencement date	Number of rights	Price on commencement date R	Vesting date
OS Arbee	18 June 2009	500 000	55,32	15 September 2012
HR Brody	18 June 2009	500 000	55,32	15 September 2012
MP de Canha	18 June 2009	500 000	55,32	15 September 2012
RL Hiemstra	18 June 2009	500 000	55,32	15 September 2012
AH Mahomed	18 June 2009	500 000	55,32	15 September 2012

# The number of rights that will eventually vest is subject to the achievement of performance conditions and could be fewer than the number granted. All rights to gains in terms of this allocation have been ceded to the Imperial Executive Share Purchase Trust and will be applied towards the outstanding loan balance owing by the directors in terms of that scheme. The final vesting date could be earlier if the conditions were met. In the event of earlier vesting, the executives in question will still be obliged to remain in the employ of the group until the original vesting date of 15 September 2012.

Participation in the deferred bonus plan<sup>+</sup>

	Allocation date	Number of rights allocated	Number of shares purchased and committed to the scheme	Balance available to be taken up	Vesting date
OS Arbee	5 June 2008	30 969	8 447	22 522	15 September 2011
	18 June 2009	10 545		10 545	15 September 2012
HR Brody	5 June 2008	45 096	18 732	26 364	15 September 2011
	18 June 2009	15 280		15 280	15 September 2012
MP de Canha	5 June 2008	30 969	16 253	14 716	15 September 2011
	18 June 2009	11 545		11 545	15 September 2012
RL Hiemstra	5 June 2008	30 969	13 773	17 196	15 September 2011
	18 June 2009	10 785		10 785	15 September 2012
AH Mahomed	5 June 2008	43 150	18 456	24 694	15 September 2011
	18 June 2009	14 200		14 200	15 September 2012

<sup>+</sup> The number of shares committed to the plan will depend on the amount of after tax bonus committed by each executive and the share price prevailing when bonus shares are acquired.

The gains on share schemes during the previous year were as follows:

	2009 R'000	2008 R'000
HR Brody		4 666
RL Hiemstra		2 700
N Hoosen		1 298
AH Mahomed		7 553

The benefits received on loans from the share trust with a lower rate of interest being charged during the year were as follows:

	2009 R'000	2008 R'000
AH Mahomed	974	741

### Approval

This directors' remuneration report has been approved by the board of directors of Imperial.

Signed on behalf of the board of directors.



### TS Gcabashe

Chairman of the committee

25 August 2009

# GROUP BALANCE SHEET

at 30 June

	Notes	2009 Rm	2008 Rm
<b>Assets</b>			
Intangible assets	4	901	897
Investments in associates and joint ventures	5	790	2 017
Property, plant and equipment	6	5 976	5 681
Transport fleet	7	3 483	3 465
Leasing assets	8		337
Vehicles for hire	9	1 653	1 286
Deferred tax assets	10	645	637
Other investments and loans	11	1 136	2 320
Other non-current financial assets	12	203	330
Inventories	13	5 592	6 442
Taxation in advance		154	111
Trade and other receivables	14	5 633	6 821
Cash resources	15	4 655	3 148
Assets classified as held for sale	16	950	4 440
Associate classified as held for sale	5	1 544	
<b>Total assets</b>		<b>33 315</b>	37 932
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	17	10	10
Shares repurchased	18	(1 816)	(1 816)
Other reserves	19a	280	1 273
Retained earnings		11 300	10 138
Attributable to Imperial Holdings' shareholders		9 774	9 605
Minority interest		587	811
<b>Total shareholders' equity</b>		<b>10 361</b>	10 416
<b>Liabilities</b>			
Non-redeemable, non-participating preference shares	20	441	441
Retirement benefit obligations	21	256	286
Interest-bearing borrowings	22	7 655	8 103
Insurance and investment contracts	23	1 356	1 535
Deferred tax liabilities	10	652	549
Other non-current financial liabilities	24	157	98
Provisions for liabilities and other charges	25	996	905
Trade and other payables	26	8 342	9 160
Current tax liabilities		501	586
Current portion of interest-bearing borrowings	22	2 139	3 496
Liabilities directly associated with assets classified as held for sale	16	459	2 357
<b>Total liabilities</b>		<b>22 954</b>	27 516
<b>Total equity and liabilities</b>		<b>33 315</b>	37 932

# GROUP INCOME STATEMENT

for the year ended 30 June

	Notes	2009 Rm	2008 Rm
<b>CONTINUING OPERATIONS</b>			
Revenue	27	52 219	55 927
Net operating expenses	28	(48 454)	(51 849)
<b>Profit from operations before depreciation and recoupments</b>		<b>3 765</b>	4 078
Depreciation, amortisation and recoupments	29	(1 312)	(1 155)
<b>Operating profit</b>		<b>2 453</b>	2 923
Recoupments from sale of properties		75	69
Foreign exchange gains		400	145
Fair value (losses) gains on foreign exchange derivatives		(8)	1
Impairment of share scheme loans			(182)
Fair value losses on other financial instruments			(314)
Exceptional items	30	(431)	1
<b>Profit before net financing costs</b>		<b>2 489</b>	2 643
Finance cost including fair value gains and losses	31	(1 095)	(972)
Finance income	31	172	165
Income from associates and joint ventures	5	107	278
<b>Profit before taxation</b>		<b>1 673</b>	2 114
Income tax expense	32	502	707
Profit from continuing operations		<b>1 171</b>	1 407
<b>DISCONTINUED OPERATIONS</b>			
– Trading profit from operations	16	24	349
– Fair value profit (loss) on discontinuation	16	484	(2 269)
<b>Net profit (loss) for the year</b>		<b>1 679</b>	(513)
<b>Attributable to:</b>			
Equity holders of Imperial Holdings Limited		1 518	(870)
Minority interest – continuing operations		160	162
Minority interest – discontinued operations	16	1	195
		<b>1 679</b>	(513)
<b>Capital distributions and dividends per share (cents)</b>			
– Ordinary shares	33	200	245
– Preferred ordinary shares		535	535
<b>Earnings per share (cents)</b>			
– Basic	34		
Continuing		503	629
Discontinued		273	(1 139)
<b>Total</b>		<b>776</b>	(510)
– Diluted			
Continuing		486	600
Discontinued		244	(1 020)
<b>Total</b>		<b>730</b>	(420)
<b>Preferred ordinary shares (cents)</b>			
– Basic		535	535

# GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

	Share capital and share premium		Other reserves					Retained earnings	Attributable to Imperial Holdings' shareholders	Minority interest	Total
	Rm	Shares repurchased Rm	Share-based payment reserve Rm	Hedging reserve Rm	Statutory reserve Rm	Translation reserve Rm	Valuation reserve Rm				
<b>Balance at 25 June 2007</b>	876	(1 955)	3	46	303	490	361	12 397	12 521	946	<b>13 467</b>
Net gains arising on translation of foreign operations						213			213	21	<b>234</b>
Movement in hedge accounting reserve				29					29	1	<b>30</b>
Share option hedging cost			(62)						(62)		<b>(62)</b>
Revaluation of investment in Eqstra Holdings Limited							167		167		<b>167</b>
Devaluation of Lereko Mobility call option							(238)		(238)		<b>(238)</b>
Net (losses) profits not recognised in the income statement			(62)	29		213	(71)		109	22	<b>131</b>
Net attributable (loss) profit for the period								(870)	(870)	357	<b>(513)</b>
Share-based equity released			(5)						(5)		<b>(5)</b>
Unbundling of the Leasing and Capital equipment division	(193)	183		(37)		54	(52)	(1 388)	(1 433)	(289)	<b>(1 722)</b>
Share issue expenses	(1)								(1)		<b>(1)</b>
Contingency reserve created in terms of the Insurance Act					1			(1)			
Purchase of 981 115 ordinary shares		(109)							(109)		<b>(109)</b>
Capital distribution of 280 cents per ordinary share in September 2007	(594)	65							(529)		<b>(529)</b>
Capital distribution of 267,5 cents per preferred ordinary share in September 2007	(39)								(39)		<b>(39)</b>
Capital distribution of 267,5 cents per preferred ordinary share in March 2008	(39)								(39)		<b>(39)</b>
Minority share of dividends										(225)	<b>(225)</b>
<b>Balance at 30 June 2008</b>	<b>10</b>	<b>(1 816)</b>	<b>(64)</b>	<b>38</b>	<b>304</b>	<b>757</b>	<b>238</b>	<b>10 138</b>	<b>9 605</b>	<b>811</b>	<b>10 416</b>
Net losses arising on translation of foreign operations						(552)			(552)	(14)	<b>(566)</b>
Transferred to translation reserve						5		(5)			
Movement in hedge accounting reserve				(141)					(141)	(22)	<b>(163)</b>
Realisation of reserves on disposal of assets							121		121		<b>121</b>
Transfer of reserves on disposal of assets							(261)	261			
Devaluation of Lereko Mobility call option							(6)		(6)		<b>(6)</b>
Share option hedging cost			(137)						(137)		<b>(137)</b>
Net (losses) profits not recognised in the income statement			(137)	(141)		(547)	(146)	256	(715)	(36)	<b>(751)</b>
Net attributable profit for the year								1 518	1 518	161	<b>1 679</b>
Net decrease in minority interest										(273)	<b>(273)</b>
Movement in share-based equity			55						55		<b>55</b>
Contingency and other statutory reserves					(77)			77			
Dividend of 245 cents per ordinary share in September 2008								(461)	(461)		<b>(461)</b>
Dividend of 267,5 cents per preferred ordinary share in September 2008								(39)	(39)		<b>(39)</b>
Dividend of 80 cents per ordinary share in March 2009								(150)	(150)		<b>(150)</b>
Dividend of 267,5 cents per preferred ordinary share in March 2009								(39)	(39)		<b>(39)</b>
Minority share of dividends										(76)	<b>(76)</b>
<b>Balance at 30 June 2009</b>	<b>10</b>	<b>(1 816)</b>	<b>(146)</b>	<b>(103)</b>	<b>227</b>	<b>210</b>	<b>92</b>	<b>11 300</b>	<b>9 774</b>	<b>587</b>	<b>10 361</b>

# GROUP CASH FLOW STATEMENT

for the year ended 30 June

	Notes	2009 Rm	2008 Rm
<b>Cash flows from operating activities</b>			
Cash receipt from customers		55 552	68 416
Cash paid to suppliers and employees		(49 799)	(62 727)
<b>Cash generated by operations</b>	35a	<b>5 753</b>	5 689
Cash generated by operations – continuing businesses		5 187	3 633
Cash generated by operations – discontinued businesses		566	2 056
Net financing costs		(961)	(1 426)
Taxation paid		(739)	(1 396)
		<b>4 053</b>	2 867
<b>Cash flows from investing activities</b>			
<b>Proceeds (expenditure) from discontinued operations</b>			
		<b>1 418</b>	3 123
Sale of Tourvest	35c	1 003	
Sale of Safair Lease Finance		337	
Net capital proceeds (expenditure)		78	(2 384)
Net unbundling and disposal of subsidiaries and businesses	35c		5 507
<b>Net expenditure from continuing operations</b>			
Acquisition of subsidiaries and businesses	35b	(351)	(490)
Disposal of subsidiaries and businesses	35c	11	355
Expansion capital expenditure		(640)	(1 595)
– Property, plant and equipment		(321)	(817)
– Transport fleet		(319)	(679)
– Vehicles for hire			(99)
Net replacement capital expenditure	35d	(1 115)	(1 017)
– Intangibles		(68)	(54)
– Property, plant and equipment		(379)	(393)
– Transport fleet		(130)	(30)
– Leasing assets			(74)
– Vehicles for hire		(538)	(466)
Net movement in associates and joint ventures		(226)	8
Net movement in investments, loans and other non-current financial instruments		967	672
		<b>64</b>	1 056
<b>Cash flows from financing activities</b>			
Hedge cost premium paid		(137)	(67)
Purchase of treasury shares net of transfers from share purchase trust			(10)
Dividends paid		(765)	(225)
Capital distribution			(607)
Decrease in long-term borrowings		(137)	(1 165)
Change in minority interest		(107)	
		<b>(1 146)</b>	(2 074)
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of year		(340)	(2 189)
<b>Cash and cash equivalents at end of year</b>	35e	<b>2 631</b>	(340)

# SEGMENT INFORMATION – BALANCE SHEET

at 30 June

	Group 2009 Rm	Group 2008 Rm	Logistics 2009 Rm	Logistics 2008 Rm	Car Rental and Tourism 2009 Rm
<b>BUSINESS SEGMENTATION</b>					
<b>– CONTINUING OPERATIONS</b>					
<b>Assets</b>					
Intangible assets	901	897	633	665	80
Investments, loans, associates and joint ventures	1 447	3 756	118	113	5
Property, plant and equipment	5 976	5 681	1 755	1 779	208
Transport fleet	3 483	3 465	3 540	3 533	
Leasing assets		337			
Vehicles for hire	1 653	1 286			1 396
Other non-current financial assets	203	330			
Inventories	5 592	6 442	83	146	277
Trade and other receivables	5 633	6 821	3 070	4 220	170
Cash in financial services businesses	2 245	1 261			
<b>Operating assets</b>	<b>27 133</b>	<b>30 276</b>	<b>9 199</b>	<b>10 456</b>	<b>2 136</b>
Deferred tax assets	645	637			
Loans to associates and other investments	479	581			
Taxation in advance	154	111			
Cash and cash equivalents	2 410	1 887			
Assets classified as held for sale	950	4 440			
Associate classified as held for sale	1 544				
<b>Total assets per balance sheet</b>	<b>33 315</b>	<b>37 932</b>			
<b>Liabilities</b>					
Retirement benefit obligations	256	286	256	286	
Insurance and investment contracts	1 356	1 535			
Trade and other payables and provisions	9 338	10 065	3 261	4 090	358
Other non-current financial liabilities	157	98	22	18	
<b>Non-interest-bearing liabilities</b>	<b>11 107</b>	<b>11 984</b>	<b>3 539</b>	<b>4 394</b>	<b>358</b>
Non-redeemable, non-participating preference shares	441	441			
Interest-bearing borrowings	9 794	11 599			
Deferred tax liabilities	652	549			
Current tax liabilities	501	586			
Liabilities directly associated with assets classified as held for sale	459	2 357			
<b>Total liabilities per balance sheet</b>	<b>22 954</b>	<b>27 516</b>			
<b>GEOGRAPHIC SEGMENTATION</b>					
<b>– CONTINUING OPERATIONS</b>					
<b>Operating assets</b>	<b>27 133</b>	<b>30 276</b>	<b>9 199</b>	<b>10 456</b>	<b>2 136</b>
– South Africa	21 733	23 357	6 078	6 433	2 098
– Rest of Africa	1 009	1 017	220	213	38
– Rest of world	4 391	5 902	2 901	3 810	
<b>Non-interest-bearing liabilities</b>	<b>11 107</b>	<b>11 984</b>	<b>3 539</b>	<b>4 394</b>	<b>358</b>
– South Africa	8 836	8 949	2 270	2 638	337
– Rest of Africa	593	561	49	58	21
– Rest of world	1 678	2 474	1 220	1 698	
<b>Interest-bearing borrowings</b>	<b>9 794</b>	<b>11 599</b>	<b>2 614</b>	<b>3 616</b>	<b>743</b>
– South Africa	5 815	6 718	1 444	1 727	738
– Rest of Africa	189	203	85	93	5
– Rest of world	3 790	4 678	1 085	1 796	
<b>Gross capital expenditure</b>	<b>3 063</b>	<b>4 287</b>	<b>997</b>	<b>1 371</b>	<b>1 110</b>
– South Africa	2 566	3 447	544	760	1 101
– Rest of Africa	77	65	64	49	9
– Rest of world	420	775	389	562	
Gross capital expenditure	3 063	4 287	997	1 371	1 110
Less: Proceeds on disposal	(1 308)	(1 675)	(299)	(287)	(708)
<b>Net capital expenditure</b>	<b>1 755</b>	<b>2 612</b>	<b>698</b>	<b>1 084</b>	<b>402</b>

Car Rental and Tourism 2008 Rm	Distributor-ships 2009 Rm	Distributor-ships 2008 Rm	Motor vehicle dealerships 2009 Rm	Motor vehicle dealerships 2008 Rm	Insurance 2009 Rm	Insurance 2008 Rm	Head office and eliminations 2009 Rm	Head office and eliminations 2008 Rm
51	<b>11</b>	28	<b>143</b>	128	<b>32</b>	26	<b>2</b>	(1)
4	<b>181</b>	181	<b>7</b>	9	<b>1 092</b>	1 873	<b>44</b>	1 576
171	<b>1 992</b>	1 873	<b>1 770</b>	1 642	<b>110</b>	74	<b>141</b>	142
							<b>(57)</b>	(68)
		340						(3)
1 296	<b>259</b>				<b>203</b>		<b>(2)</b>	(10)
	<b>8</b>	16				319	<b>(8)</b>	(5)
308	<b>3 147</b>	3 588	<b>2 116</b>	2 483			<b>(31)</b>	(83)
221	<b>1 058</b>	1 035	<b>896</b>	939	<b>398</b>	389	<b>41</b>	17
					<b>2 245</b>	1 261		
2 051	<b>6 656</b>	7 061	<b>4 932</b>	5 201	<b>4 080</b>	3 942	<b>130</b>	1 565
					<b>1 346</b>	1 517	<b>10</b>	18
356	<b>2 708</b>	2 424	<b>1 658</b>	1 777	<b>1 162</b>	1 164	<b>191</b>	254
					<b>1</b>		<b>134</b>	80
356	<b>2 708</b>	2 424	<b>1 658</b>	1 777	<b>2 509</b>	2 681	<b>335</b>	352
2 051	<b>6 656</b>	7 061	<b>4 932</b>	5 201	<b>4 080</b>	3 942	<b>130</b>	1 565
2 025	<b>6 001</b>	6 029	<b>4 251</b>	4 135	<b>3 388</b>	3 209	<b>(83)</b>	1 526
26	<b>58</b>	46			<b>692</b>	733	<b>1</b>	(1)
	<b>597</b>	986	<b>681</b>	1 066			<b>212</b>	40
356	<b>2 708</b>	2 424	<b>1 658</b>	1 777	<b>2 509</b>	2 681	<b>335</b>	352
340	<b>2 569</b>	2 250	<b>1 343</b>	1 278	<b>2 012</b>	2 217	<b>305</b>	226
16	<b>26</b>	21			<b>497</b>	464		2
	<b>113</b>	153	<b>315</b>	499			<b>30</b>	124
788	<b>1 592</b>	2 106	<b>1 534</b>	1 727	<b>6</b>		<b>3 305</b>	3 362
776	<b>1 150</b>	1 318	<b>1 396</b>	1 402	<b>6</b>		<b>1 081</b>	1 495
12	<b>98</b>	79					<b>1</b>	19
	<b>344</b>	709	<b>138</b>	325			<b>2 223</b>	1 848
1 349	<b>545</b>	1 219	<b>297</b>	505	<b>81</b>	41	<b>33</b>	(198)
1 334	<b>536</b>	1 047	<b>274</b>	465	<b>78</b>	41	<b>33</b>	(200)
15	<b>1</b>				<b>3</b>			1
	<b>8</b>	172	<b>23</b>	40				1
1 349	<b>545</b>	1 219	<b>297</b>	505	<b>81</b>	41	<b>33</b>	(198)
(724)	<b>(188)</b>	(673)	<b>(78)</b>	(115)	<b>(32)</b>	(50)	<b>(3)</b>	174
625	<b>357</b>	546	<b>219</b>	390	<b>49</b>	(9)	<b>30</b>	(24)

## SEGMENT INFORMATION – INCOME STATEMENT

for the year ended 30 June

	Continuing operations 2009 Rm	Continuing operations 2008 Rm	Logistics 2009 Rm	Logistics 2008 Rm	Car Rental and Tourism 2009 Rm
<b>BUSINESS SEGMENTATION</b>					
<b>– CONTINUING OPERATIONS</b>					
<b>Revenue</b>					
– Sales of goods	27 784	32 422	814	1 233	853
– Rendering of services	21 675	21 015	16 960	16 427	1 726
– Gross premiums received	2 667	2 378			
– Other	93	112	87	108	1
	<b>52 219</b>	55 927	<b>17 861</b>	17 768	<b>2 580</b>
Inter-segment revenue			16	218	38
	<b>52 219</b>	55 927	<b>17 877</b>	17 986	<b>2 618</b>
Operating expenses	48 606	52 040	16 102	16 271	1 928
Investment income	(290)	(176)	(3)	(3)	
Fair value losses (gains) on investments	138	(15)			
Depreciation and amortisation	1 323	1 168	735	624	354
Recoupments (excluding properties)	(11)	(13)	(15)	(9)	
<b>Operating profit</b>	<b>2 453</b>	2 923	<b>1 058</b>	1 103	<b>336</b>
Recoupments from sale of properties	75	69	24	(1)	34
Foreign exchange gains (losses)	400	145	1	(3)	
Fair value (losses) gains on foreign exchange derivatives	(8)	1			
Impairments of share scheme loans		(182)			
Fair value losses on other financial instruments		(314)			
Profit before net financing costs and exceptional items	2 920	2 642	1 083	1 099	370
Net financing costs	(923)	(807)	(188)	(130)	(91)
Income from associates and joint ventures	107	278	21	31	1
<b>Profit before taxation and exceptional items</b>	<b>2 104</b>	2 113	<b>916</b>	1 000	<b>280</b>
<b>GEOGRAPHIC SEGMENTATION</b>					
<b>– CONTINUING OPERATIONS</b>					
<b>Revenue</b>	<b>52 219</b>	55 927	<b>17 877</b>	17 986	<b>2 618</b>
– South Africa	37 640	40 846	9 346	9 311	2 456
– Rest of Africa	1 392	1 077	485	422	162
– Rest of world	13 187	14 004	8 046	8 253	
<b>Operating profit</b>	<b>2 453</b>	2 923	<b>1 058</b>	1 103	<b>336</b>
– South Africa	1 859	2 318	692	664	312
– Rest of Africa	186	141	46	36	24
– Rest of world	408	464	320	403	
<b>Net financing costs</b>	<b>923</b>	807	<b>188</b>	130	<b>91</b>
– South Africa	813	710	172	125	89
– Rest of Africa	20	18	11	10	2
– Rest of world	90	79	5	(5)	

Car Rental and Tourism 2008 Rm	<b>Distributor- ships 2009 Rm</b>	Distributor- ships 2008 Rm	<b>Motor vehicle dealerships 2009 Rm</b>	Motor vehicle dealerships 2008 Rm	<b>Insurance 2009 Rm</b>	Insurance 2008 Rm	<b>Head office and eliminations 2009 Rm</b>	Head office and eliminations 2008 Rm
955	<b>11 664</b>	13 385	<b>14 451</b>	16 849			<b>2</b>	
1 732	<b>1 214</b>	1 286	<b>1 596</b>	1 475	<b>40</b>	10	<b>139</b>	85
		2			<b>2 667</b>	2 378		
					<b>5</b>	1		1
2 687	<b>12 878</b>	14 673	<b>16 047</b>	18 324	<b>2 712</b>	2 389	<b>141</b>	86
25	<b>234</b>	383	<b>644</b>	857	<b>135</b>	205	<b>(1 067)</b>	(1 688)
2 712	<b>13 112</b>	15 056	<b>16 691</b>	19 181	<b>2 847</b>	2 594	<b>(926)</b>	(1 602)
2 028	<b>12 505</b>	14 172	<b>16 307</b>	18 664	<b>2 640</b>	2 526	<b>(876)</b>	(1 621)
	<b>(4)</b>	(3)			<b>(278)</b>	(166)	<b>(5)</b>	(4)
321	<b>119</b>	146	<b>102</b>	90	<b>138</b>	(16)		1
(2)	<b>1</b>	(3)	<b>3</b>	4	<b>33</b>	23	<b>(20)</b>	(36)
					<b>(1)</b>		<b>1</b>	(3)
365	<b>491</b>	744	<b>279</b>	423	<b>315</b>	227	<b>(26)</b>	61
5		7	<b>51</b>	47	<b>9</b>	22	<b>(43)</b>	(11)
	<b>15</b>	32	<b>(1)</b>		<b>2</b>	(48)	<b>383</b>	164
	<b>(6)</b>	1			<b>(1)</b>		<b>(1)</b>	(182)
					<b>1</b>			(314)
370	<b>500</b>	784	<b>329</b>	470	<b>326</b>	201	<b>312</b>	(282)
(70)	<b>(188)</b>	(186)	<b>(185)</b>	(170)	<b>3</b>	3	<b>(274)</b>	(254)
1	<b>(5)</b>	(84)	<b>(2)</b>	(7)	<b>(1)</b>	(1)	<b>93</b>	338
301	<b>307</b>	514	<b>142</b>	293	<b>328</b>	203	<b>131</b>	(198)
2 712	<b>13 112</b>	15 056	<b>16 691</b>	19 181	<b>2 847</b>	2 594	<b>(926)</b>	(1 602)
2 584	<b>10 520</b>	12 478	<b>14 015</b>	15 899	<b>2 232</b>	2 179	<b>(929)</b>	(1 605)
128	<b>131</b>	112			<b>615</b>	415	<b>(1)</b>	
	<b>2 461</b>	2 466	<b>2 676</b>	3 282			<b>4</b>	3
365	<b>491</b>	744	<b>279</b>	423	<b>315</b>	227	<b>(26)</b>	61
355	<b>438</b>	742	<b>250</b>	353	<b>194</b>	124	<b>(27)</b>	80
10	<b>(5)</b>	(8)			<b>121</b>	103		
	<b>58</b>	10	<b>29</b>	70			<b>1</b>	(19)
70	<b>188</b>	186	<b>185</b>	170	<b>(3)</b>	(3)	<b>274</b>	254
69	<b>154</b>	148	<b>170</b>	148	<b>(3)</b>	(3)	<b>231</b>	223
1	<b>8</b>	7					<b>(1)</b>	
	<b>26</b>	31	<b>15</b>	22			<b>44</b>	31

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2009

## 1. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below and are consistent in all material respects with those applied during the previous year.

### 1.1 Basis of preparation

The consolidated financial statements are stated in rands and are prepared in accordance with and comply with International Financial Reporting Standards (IFRS), effective for the group's financial year. The consolidated financial statements are prepared on the historical-cost basis, modified by the restatement of certain financial instruments to fair value and insurance liabilities in accordance with actuarial valuations.

#### Insurance

Detailed accounting policies and other disclosures, specifically covering insurance companies, are outlined in Annexure C.

#### Consolidation

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries. Subsidiary undertakings, which are those companies in which the group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated, except when the subsidiaries are held exclusively with a view to their subsequent disposal which is highly probable and are accounted for as assets held for sale. Where the group's interest in subsidiary undertakings is less than 100%, the share attributable to outside shareholders is reflected as minority interests. The accounts of subsidiary undertakings are generally drawn up at 30 June each year. Where audited accounts are not drawn up at this date, the latest audited accounts available are used.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is below the fair values of the identifiable net assets acquired (i.e. discount on acquisition), then the difference is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequent profits are credited to minorities and any losses attributable to minorities in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition, or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All intercompany transactions, balances and unrealised surpluses and deficits have been eliminated.

#### Segment information

The principal segments of the group have been identified on a primary basis by business segment and on a secondary basis by significant geographical region. The basis is representative of the internal structure used for management reporting.

Segment revenue reflects both sales to external parties and intergroup transactions across segments. The segment result is presented as segment profit before exceptional items including net finance costs and income from associates. Taxation is excluded in arriving at segment results.

Segment operating assets and liabilities are only those items that can be specifically identified within a particular segment.

#### Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in rands, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

Income statements having a different functional currency are translated into South African currency at the weighted average exchange rates for the year and the balance sheets are translated at the exchange rates ruling on the balance sheet date. All resulting exchange differences are classified as a foreign currency translation reserve and reflected as part of shareholders' equity.

On disposal of foreign entities, such translation differences are recognised in the income statement as part of the gain or loss on sale.

Transactions in currencies other than rands are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on translation are included in net profit or loss for the period.

In order to hedge its exposure to certain foreign exchange risks, the group enters into forward contracts (see below for details of the group's accounting policies in respect of such derivative financial instruments).

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and are translated at the closing rate.

## **1.2 Investment in associates**

Investments in associates are accounted for using the equity method of accounting, except when the investments are held exclusively with a view to their subsequent disposal which is highly probable and are then accounted for as assets held for sale. Associates are undertakings over which the group has the power to exercise significant influence, but which it does not control.

Equity accounting involves recognising in the income statement the group's share of the associates' profit or loss for the year. The group's interest in the associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associate, less any impairment in the value of the investments.

Losses of the associates in excess of the group's interest in those associates are not recognised. Any excess of the cost of acquisition over the group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition.

Where a group entity transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate.

Losses may provide evidence of a potential impairment of the investment, in which case appropriate provision is made for impairment.

## **1.3 Joint ventures**

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity which is subject to joint control.

The group's interest in jointly controlled entities is accounted for using the equity method of accounting as described in note 1.2 above, except when the investments are held exclusively with a view to their subsequent disposal which is highly probable and are then accounted for as assets held for sale.

## **1.4 Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or joint venture at the date of acquisition. Goodwill is recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Cash-generating units represent the business operations from which the goodwill was originally generated.

On disposal of a subsidiary, associate or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill written off to reserves under SA GAAP prior 26 June 2000 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

## **1.5 Other intangible assets**

Expenditure on acquired patents, trademarks, licences and computer software is capitalised and amortised using the straight-line basis over their useful lives, generally between two and eight years. Intangible assets are not revalued. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment, where it is considered necessary.

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED...

for the year ended 30 June 2009

## 1. Accounting policies (continued)

### 1.6 Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss, or whether an impairment loss recognised in a previous period has reversed or decreased. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

### 1.7 Property, plant and equipment, leasing assets, transport fleet and vehicles for hire

Land is reflected at cost and is not depreciated. New property investments and developments are reflected at cost which includes holding and direct development costs incurred until the property is available for occupation.

Cost also includes the estimated costs of dismantling and removing the assets and where appropriate cost is split into significant components. Major improvements to leasehold properties are capitalised and written off over the period of the leases. Where land and buildings are held as portfolio properties and benefits are shared with policyholders, such property is fair valued through the income statement.

All other assets are recorded at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on the straight-line basis to write off the cost of each component of an asset to its residual value over its estimated useful life as follows:

Buildings	20 years
Equipment and furniture	3 to 10 years
Motor vehicles	3 to 5 years
Transport fleet	3 to 12 years
Vehicles for hire	2 to 5 years

The depreciation methods, estimated remaining useful lives and residual values are reviewed at least annually.

Where significant components of an asset have different useful lives to the asset itself, these components are depreciated over their estimated useful lives.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Where a reversal of a previously recognised impairment loss is recognised, the depreciation charge for the asset is adjusted to allocate the asset's revised carrying amount, less residual value, on a systematic basis over its remaining useful life.

Gains and losses on disposal are determined by reference to their carrying amount.

### 1.8 Capitalised borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

## 1.9 Inventories

Inventories are stated at the lower of cost or net realisable value, due recognition having been made for obsolescence and redundancy. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost is determined as follows:

Vehicles and aircraft	Specific cost
Caravans, spares and accessories	Weighted average cost
Petrol, oil and merchandise	First in, first out

Work in progress includes direct costs and a proportion of overheads, but excludes interest expense.

## 1.10 Financial instruments

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

### Equity and debt security instruments

Equity and debt security instruments are initially recognised at cost on trade date.

At subsequent reporting dates, debt securities that the group has the intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, excluding those held-to-maturity debt securities designated as fair value through profit or loss at initial recognition, less any impairment losses recognised to reflect irrecoverable amounts. Premiums or discounts arising on acquisition are amortised on the yield-to-maturity basis and are included in the income statement.

Equity and debt security instruments other than held-to-maturity debt securities are classified as either fair value through profit and loss or available for sale, and are measured at subsequent reporting dates at fair value.

Where equity and debt security instruments are held for trading purposes, gains and losses arising from changes in fair value are included in the income statement for the period.

For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement for the period.

### Loans receivable

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

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

### Trade and other receivables

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

### Cash and cash equivalents

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

### Loans payable

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

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

Where interest-bearing loans have interest rate swaps changing the interest rate from fixed to variable or vice versa, they are treated as hedged items and carried at fair value. Gains and losses arising from changes in fair value are included in the income statement for the period.

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED...

for the year ended 30 June 2009

## 1. Accounting policies (continued)

### 1.10 Financial instruments (continued)

#### Trade payables

Trade payables are stated at their nominal value.

#### Derivative instruments

Derivative financial instruments are initially recognised at fair value at the date the derivative contract is entered into, and subsequently measured at fair value at each balance sheet date. The group uses derivative financial instruments primarily relating to foreign currency protection and to alter interest rate profiles.

The group designates certain derivatives as hedging instruments and they are classified as:

- fair value hedge: a hedge to cover exposure to changes in fair value of recognised assets and liabilities;
- cash flow hedge: hedges a particular risk associated with a recognised asset or liability or a highly probable forecast transaction; and
- hedges of a net investment in a foreign operation.

Foreign currency forward contracts (FECs) are used to hedge foreign currency fluctuations relating to certain firm commitments and forecast transactions.

Interest rate swap agreements (IRS) and forward rate agreements (FRAs) can swap interest rates from either fixed to variable or from variable to fixed and are used to alter interest rate profiles.

Any gains or losses on fair value hedges are included in the income statement for the period.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in the income statement.

If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects the income statement.

Derivatives embedded in other financial instruments or non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with fair value gains or losses reported in the income statement.

#### Fair value calculations

Investments are fair valued based on regulated exchange-quoted ruling bid prices at the close of business on the last trading day on or before the balance sheet date. Fair values for unquoted equity instruments are estimated using applicable fair value models. If a quoted bid price is not available for dated instruments, the fair value is determined using pricing models or discounted cash flow techniques. Any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at its cost, including transaction costs, less any provisions for impairment.

All other financial assets' and liabilities' fair values are calculated by present valuing the best estimate of the future cash flows using the risk-free rate of interest plus an appropriate risk premium.

The fair value for any hedged items is calculated by discounting the future cash flows. The discount factor used is arrived at by establishing the current risk free rate applicable for that item and adjusted for the credit spread over the risk free rate on issue date.

#### Derecognition

The group derecognises a financial asset when its contractual rights to the cash flow from the financial asset expire, or if it transfers the asset together with its contractual rights to receive the cash flows of the financial assets.

The group derecognises a financial liability when the obligation specified in the contract is discharged or cancelled or expires.

### 1.11 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### The group as lessor

##### Finance leases

Amounts due under finance leases are treated as instalment credit agreements.

*Operating leases*

Rental income is recognised in the income statement over the period of the lease term on the straight-line basis.

Assets leased out under operating leases are included under the appropriate category of asset in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar property, plant and equipment.

**The group as lessee***Finance leases*

Assets held under finance leases are recognised as assets of the group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease.

*Operating leases*

Operating lease costs are recognised in the income statement over the lease term on the straight-line basis. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

**1.12 Share-based payments**

The group operates equity-settled share-based compensation plans for senior employees and executives.

Equity-settled share-based payments are measured at fair value at the date of grant using the Black-Scholes option-pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on the straight-line basis over the vesting period with a corresponding entry to equity. The expense takes into account the best estimate of the number of shares that are expected to vest. Non-market conditions such as time-based vesting conditions and non-market performance conditions are included in the assumptions for the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates on the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

**1.13 Retirement benefit obligations**

The group operates a number of retirement schemes around the world. These schemes have been designed and are administered in accordance with the local conditions and practices in the countries concerned and include both defined contribution and defined benefit schemes with the major component being defined contribution schemes. The pension costs relating to these schemes are assessed in accordance with the advice of qualified actuaries and the defined benefit schemes are reviewed at least on a triennial basis or in accordance with local practice and regulations. In the intervening years, the actuary reviews the continuing appropriateness of the assumptions applied. The actuarial assumptions used to calculate the projected benefit obligations of the group's defined benefit retirement schemes vary according to the economic conditions of the countries in which they operate.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

**1.14 Provisions**

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

**Leave pay provision**

This is determined based on the outstanding number of days' leave due to employees applied to the total cost of their employment.

**Bonus provision**

Within the group there are various formulas to calculate bonuses payable to employees. Based on this, the different operations make an estimate of the total amount due.

**Warranty and after-sales services**

The group sells vehicles on which it will incur warranty and after-sales costs and an estimate is made based on past experience.

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED...

for the year ended 30 June 2009

## 1. Accounting policies *(continued)*

### 1.14 Provisions *(continued)*

#### Insurance claims

The group has short-term insurance, life assurance and reinsurance operations on which claims settlements are made on insurance policies. The group raises the necessary provisions based on the facts of the claims and past experience.

#### Other provisions

The group is involved in different industries and locations that require many different provisions. These include, amongst others, onerous contracts, decommissioning and restructuring costs and long-service payments.

### 1.15 Taxation

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

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

In principle, deferred tax liabilities are recognised for all temporary differences arising from depreciation on property, plant and equipment, revaluations of certain non-current assets and provisions. Deferred tax assets are raised only to the extent that their recoverability is probable. Deferred tax assets relating to the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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

### 1.16 Revenue recognition

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Where there are guaranteed buyback arrangements in terms of which significant risks and rewards of ownership have not transferred to the purchaser, the transaction is accounted for as a lease.

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

Revenue from vehicle maintenance plans is recognised only to the extent of the value of parts and services provided, with the balance being recognised at the end of the vehicle maintenance plan.

The group reflects premium income relating to insurance business gross of reinsurance. Premiums are accounted for at the commencement of the risk. Premiums on investment contracts are excluded from the income statement.

Where the group acts as agent and is remunerated on a commission basis, the commission is included in revenue. Where the group acts as principal, the total value of business handled is included in revenue.

### 1.17 Interest and dividend income in financial services businesses

Interest income is accrued on the time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### 1.18 Government grants and assistance

Government grants represent assistance by government in the form of transfers of resources in return for compliance with conditions related to operating activities. Government assistance is action by government designed to provide an economic benefit specific to an entity or range of entities qualifying under certain criteria. Government includes government agencies and similar bodies whether local, national or international.

When the conditions attaching to government grants have been complied with and they will be received, they are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs. When they are for expenses or losses already incurred, they are recognised in profit or loss immediately. The unrecognised portion at the balance sheet date is presented as deferred income.

No value is recognised where government provides general industry assistance.

Where the government grants target-specific assets, the government grants are deducted from the cost of the asset, hence reducing its cost.

### **1.19 Exceptional items**

Exceptional items cover those amounts which are not considered to be of an operating/trading nature and generally include re-measurements due to:

- impairments of goodwill and non-current assets;
- gains and losses on the measurement to fair value less costs to sell of disposal groups constituting discontinued operations;
- gains and losses on the measurement to fair value less costs to sell of non-current assets or disposal groups classified as held for sale;
- recycling through profit or loss of foreign currency translation reserves upon disposal of entities whose functional currencies are different to the group's presentation currency;
- recycling through profit or loss of fair value gains and losses previously recognised directly in equity upon the disposal of available-for-sale financial assets and realisation of hedges of a net investment in a foreign operation.

### **1.20 Significant accounting judgements and estimates**

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

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

#### **Residual values and useful lives**

The group depreciates its assets over their estimated useful lives taking into account residual values, which, following the adoption of IAS 16 – Property, plant and equipment, are reassessed on an annual basis.

The actual lives and residual values of these assets can vary depending on a variety of factors.

Technological innovation, product life cycles and maintenance programmes all impact the useful lives and residual values of the assets. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

#### **Insurance companies**

Details of the significant accounting judgments and estimates are given in Annexure C.

#### **Income taxes**

The group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated taxes based on estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED...

for the year ended 30 June 2009

## 1. Accounting policies *(continued)*

### 1.20 Significant accounting judgements and estimates *(continued)*

#### Income taxes *(continued)*

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

#### Contingent liabilities

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

#### Revenue recognition

Revenue from vehicle maintenance plans is recognised only to the extent of the value of parts and services provided, with the balance recognised at the end of the plan.

#### Balance sheet presentation based on liquidity

Management believes that the balance sheet format based on liquidity provides information that is reliable and is more relevant compared to a current and non-current presentation. The nature of the group's operations is such that some asset categories on the balance sheet are held as trading at the same time they qualify as fleet assets.

#### Discontinued operations and non-current assets classified as held for sale

Management classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Management classifies a component of the group as a discontinued operation that either has been disposed of or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale as a discontinued operation.

A non-current asset (or disposal group) is measured at the lower of its carrying amount and fair value less costs to sell.

#### Provision for bad debts

Provision is made for bad debts based on management's estimate of the prospect of recovering the debt. Where management has determined that a debt is no longer recoverable, the amount is written off.

#### Provision for inventory

Inventory is counted at least once a year and any shortages and obsolete stock identified are written off immediately. An allowance is made for slow moving and obsolete inventory based on historical trends.

#### Asset impairments

The group periodically evaluates its assets for impairment, including identifiable intangibles, whenever events, such as losses being incurred, or changes in circumstances, such as changes in the market, indicate that the carrying amount of the asset may not be recoverable. Our judgements regarding the existence of impairment indicators are based on market conditions and operational performance of the different businesses. Future events could cause management to conclude that impairment indicators exist. In order to assess if there is any impairment, we estimate the future cash flows expected to result from the use of the asset(s) and its eventual disposition. Considerable management judgement is necessary to estimate discounted future cash flows, including appropriate bases for making judgements and estimates.

The calculation of appropriate discount rates (weighted average cost of capital) is a sensitive input into valuations. While every effort is made to make use of independent information and apply consistent methodology, actual circumstances or outcomes could vary significantly from such estimates, including changes in the economic and business environment.

These variances could result in changes in useful lives or impairment. These changes can have either a positive or negative impact on our estimates of impairment and can result in additional charges.

#### **Lereko Mobility (Pty) Limited (Lereko)**

With the unbundling of the Leasing and Capital Equipment division to create Eqstra Holdings Limited (Eqstra) the vendor finance receivable is now split between Imperial and Eqstra.

The amount of vendor finance recoverable by Imperial and Eqstra will be settled by the delivery of their own shares.

On the basis that risk of recoverability will now be shared between Imperial and Eqstra, the equity accounted treatment will be maintained.

## **2. Impact of new issued standards and interpretations**

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

### ***IFRS 1 – First time adoption of International Financial Reporting Standards***

The amendment to this IFRS will require that, when a new parent is formed in a reorganisation, the new parent must measure the cost of its investment in the previous parent at the carrying amount of its share of the equity items of the previous parent at the date of the reorganisation.

The amendments should have no significant impact on the group's results, and they first become applicable for the financial years ending 30 June 2010.

### ***IFRS 2 – Share based payments***

The amendment to this IFRS clarifies the terms vesting conditions and cancellations, and also clarifies the treatment of group cash-settled share-based payment transactions.

The amendments should have no significant impact on the group's results, and they first become applicable for the financial years ending 30 June 2010 and 30 June 2011.

### ***IFRS 3 – Business combinations***

There have been comprehensive revisions of this IFRS, including goodwill, non-controlling interest, pre-existing relationships and reacquired rights.

The amendment should have an impact on the group's results, but as it only applies to business combinations concluded on or after 1 July 2009, the impact cannot be determined. The statement first becomes applicable for the financial year ending 30 June 2010.

### ***IFRS 5 – Non-current assets held for sale and discontinued operations***

There are consequential amendments to this IFRS, resulting from the annual improvement project, as well as changes to segment reporting, business combinations and distribution of non-cash assets to owners.

The amendment should have no significant impact on the group's results, and they first become applicable for the financial years ending 30 June 2010 and 30 June 2011.

### ***IFRS 7 – Financial instruments: disclosures***

There are consequential amendments to this IFRS, resulting from the annual improvement project.

The amendments should have no significant impact on the group's results, and they first become applicable for the financial years ending 30 June 2010.

### ***IFRS 8 – Operating segments***

This IFRS introduces the concept of an operating segment; it expands the identification criteria for segments of an entity and the measurement of segment results. This statement will allow an entity to align its operating segment reporting with the internal identification and reporting structure.

The standard first becomes applicable to the group for the financial year ending 30 June 2010, and is not expected to have any significant impact on the group.

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED...

for the year ended 30 June 2009

## 2. Impact of new issued standards and interpretations *(continued)*

### **IAS 1 – Presentation of financial statements**

There have been comprehensive revisions to this IFRS, including a requirement to present comprehensive income.

The amendment should have an impact on the format and disclosure of the group's results, and first becomes applicable for the financial year ending 30 June 2010.

### **IAS 2 – Inventories**

There are consequential amendments to this statement resulting from the annual improvement project.

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2010.

### **IAS 7 – Statement of cash flows**

There are consequential amendments to this statement resulting from IAS 27 (Consolidated and separate financial statements) amendments relating to changes in ownership interests in subsidiaries and other businesses. In addition there have been consequential changes resulting from the annual improvement project.

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2010.

### **IAS 8 – Accounting policies, changes in accounting policies and errors**

There are consequential amendments to this statement resulting from the annual improvement project.

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2010.

### **IAS 10 – Events after the reporting period**

There are consequential amendments to this statement resulting from the annual improvement project.

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2010.

### **IAS 12 – Income taxes**

There are consequential amendments to this statement resulting from IAS 1 amendments and amendments to IFRS 3 (Business combinations).

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2010.

### **IAS 16 – Property, plant and equipment**

There are consequential amendments to this statement resulting from IAS 1 amendments and amendments to IFRS 3 (Business combinations).

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2010.

### **IAS 17 – Leases**

There are consequential amendments to this statement resulting from IAS 1 amendments. In addition there have been consequential changes resulting from the annual improvement project.

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2010.

**IAS 18 – Revenue**

There are consequential amendments to this statement resulting from IAS 1 amendments, IAS 27 (Consolidated and separate financial statements) amendments relating to changes in ownership interests in subsidiaries and other businesses and IFRIC 15 (agreements for the construction of real estate) amendments relating to the recognition of revenue and the related expenses by real estate developers. In addition there have been consequential changes resulting from the annual improvement project.

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2010.

**IAS 19 – Employee benefits**

There are consequential amendments to this statement resulting from IAS 1 amendments and IFRS 8 (Operating segments) amendments. In addition there have been consequential changes resulting from the annual improvement project.

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2010.

**IAS 21 – The effects of changes in foreign exchange rates**

There are consequential amendments to this statement resulting from IAS 1 amendments and IAS 27 (Consolidated and separate financial statements) amendments relating to changes in ownership interests in subsidiaries and other businesses.

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2010.

**IAS 23 – Borrowing costs**

There are consequential amendments to this statement resulting from the annual improvement project.

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2010.

**IAS 24 – Related party disclosures**

There are consequential amendments to this statement resulting from IAS 1 amendments.

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2010.

**IAS 27 – Consolidated and separate financial statements**

There are consequential amendments to this statement resulting from IAS 1 amendments, amendments to IFRS 3 (Business combinations) and IFRS 8 (Operating segments) amendment. In addition there have been consequential changes resulting from the annual improvement project.

The amendment should have an impact on the group's results, but only applies to business combinations concluded on or after 1 January 2009, and the statement first becomes applicable for the financial year ending 30 June 2010.

**IAS 28 – Investments in associates**

There are consequential amendments to this statement resulting from IAS 1 amendments, amendments to IFRS 3 (Business combinations) and IAS 27 (Consolidated and separate financial statements) amendments relating to changes in ownership interests in subsidiaries and other businesses. In addition there have been consequential changes resulting from the annual improvement project.

The amendment should have an impact on the group's results, but only applies to business combinations concluded on or after 1 January 2009, and the statement first becomes applicable for the financial year ending 30 June 2010.

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED...

for the year ended 30 June 2009

## 2. Impact of new issued standards and interpretations *(continued)*

### **IAS 31 – Investments in joint ventures**

There are consequential amendments to this statement resulting from IAS 1 amendments, amendments to IFRS 3 (Business combinations) and IAS 27 (Consolidated and separate financial statements) amendments relating to changes in ownership interests in subsidiaries and other businesses. In addition there have been consequential changes resulting from the annual improvement project.

The amendment should have an impact on the group's results, but only applies to business combinations concluded on or after 1 January 2009, and the statement first becomes applicable for the financial year ending 30 June 2010.

### **IAS 32 – Financial instruments presentation**

There are consequential amendments to this statement resulting from IAS 1 amendments, amendments to IFRS 3 (Business combinations) and IAS 27 (Consolidated and separate financial statements) amendments relating to changes in ownership interests in subsidiaries and other businesses. This standard has also been amended in relation to puttable financial instruments and obligations arising on liquidation. In addition there have been consequential changes resulting from the annual improvement project.

The amendment should have as impact on the format and disclosures of the group's results and first becomes applicable for the financial year ending 30 June 2010.

### **IAS 33 – Earnings per share**

There are consequential amendments to this statement resulting from IAS 1 amendments, amendments to IFRS 3 (Business combinations), amendments to IFRS 8 (Operating segments) and IAS 27 (Consolidated and separate financial statements) amendments relating to changes in ownership interests in subsidiaries and other businesses. In addition there have been consequential changes resulting from the annual improvement project.

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2010.

### **IAS 36 – Impairments of assets**

There are consequential amendments to this statement resulting from IAS 1 amendments, amendments to IFRS 3 (Business combinations), amendments to IFRS 8 (Operating segments) and IAS 27 (Consolidated and separate financial statements) amendments relating to changes in ownership interests in subsidiaries and other businesses. In addition there have been consequential changes resulting from the annual improvement project.

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2010.

### **IAS 37 – Provisions, contingent liabilities and contingent assets**

There are consequential amendments to this statement resulting from IAS 1 amendments and amendments to IFRS 3 (Business combinations).

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2010.

### **IAS 38 – Intangible assets**

There are consequential amendments to this statement resulting from IAS 1 amendments, amendments to IFRS 3 (Business combinations) and IAS 23 (Borrowing costs). In addition there have been consequential changes resulting from the annual improvement project.

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2010.

### **IAS 39 – Financial instruments: recognition and measurement**

There are consequential amendments to this statement resulting from IAS 1 amendments, amendments to IFRS 3 (Business combinations) and IAS 27 (Consolidated and separate financial statements) amendments relating to changes in ownership interests in subsidiaries and other businesses. This standard has also been amended in relation to puttable financial instruments and obligations arising on liquidation. In addition there have been consequential changes resulting from the annual improvement project.

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2010.

**IAS 40 – Investment property**

There are consequential amendments to this statement resulting from IAS 1 amendments. In addition there have been consequential changes resulting from the annual improvement project.

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2010.

**IFRIC 15 – Agreements for the construction of real estate**

This interpretation standardises the accounting practice for the recognition of revenue by real estate developers.

The interpretation should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2010.

**IFRIC 16 – Hedges of a net investment in a foreign operation**

This interpretation concludes that presentation currency does not create an exposure to which an entity may apply hedge accounting. A parent may designate as hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation.

The interpretation should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2010.

**IFRIC 17 – Distributions of non-cash assets to owners**

This interpretation concludes when an entity has an obligation to recognise a dividend payable for the distribution of non-cash assets to its owners.

The interpretation should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2010.

**IFRIC 18 – Transfer of assets from customers**

This interpretation concludes on the accounting for transfers of items of property, plant and equipment received from customers.

The interpretation should have no significant impact on the group's results, and first becomes applicable for the financial year ending 30 June 2010.

During April and June 2009 amendments to various other standards were made. The group is currently in the process of assessing the impact of these amendments.

**3. Restatement of comparatives**

The operating profit line on the income statement has been amended to exclude the recoupments from the sale of properties. These recoupments are now shown below the operating profit line. Comparatives on the income statement and segmental income statement have been restated accordingly.

	2008
	Rm
Operating profit – as previously stated	2 992
Less: Recoupments from sale of properties	69
Operating profit restated	2 923

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED...

for the year ended 30 June 2009

	Goodwill Rm	Computer software Rm	Other intangibles Rm	Total Rm
<b>4. Intangible assets</b>				
<b>For the year ended 30 June 2009</b>				
– Cost	1 158	264	105	1 527
– Accumulated impairment and amortisation	399	189	38	626
	<b>759</b>	<b>75</b>	<b>67</b>	<b>901</b>
Net book value at beginning of year	770	46	81	897
Net acquisition (disposal) of subsidiaries and businesses	213	(1)	2	214
Additions		63	6	69
Proceeds on disposal		(1)		(1)
Impairment (costs) reversals	(194)	2		(192)
Amortisation		(44)	(5)	(49)
Currency adjustments	(30)	(7)		(37)
Reclassification		17	(17)	
<b>Net book value at end of year</b>	<b>759</b>	<b>75</b>	<b>67</b>	<b>901</b>
<b>For the year ended 30 June 2008</b>				
– Cost	974	238	107	1 319
– Accumulated impairment and amortisation	204	192	26	422
	770	46	81	897
Net book value at beginning of period	1 130	28	80	1 238
Net acquisition (disposal) of subsidiaries and businesses (including unbundling)	36	(5)		31
Additions		46	8	54
Impairment costs	(47)			(47)
Amortisation		(27)	(4)	(31)
Currency adjustments	106	4	2	112
Reclassified to assets held for sale	(455)		(5)	(460)
<b>Net book value at end of period</b>	<b>770</b>	<b>46</b>	<b>81</b>	<b>897</b>

### **Goodwill impairment testing**

Goodwill is allocated to cash generating units (CGUs) that are measured individually for the purposes of impairment testing.

A CGU represents the business operation from which goodwill was originally generated. The recoverable amount of a CGU is determined being the higher of value in use, or the fair value less costs to sell method.

### **Value in use**

Value in use is calculated using discounted cash flows. Cash flow projections are based on three to five year forecast information approved by senior management. Cash flows beyond the initial period are extrapolated using average growth rates.

Discount and growth rates are used that are relevant to the particular industry and geographic location in which a CGU operates.

### **Fair value less costs to sell**

Fair value less costs to sell is calculated with reference to publicly traded market prices.

Goodwill was tested for impairment and where the excess of the recoverable amount over the carrying value of the CGU in the group amounts is less than the goodwill, then goodwill is impaired.

CGUs that are significant in relation to the group's total goodwill carrying amount are outlined below.

#### 4. Intangible assets (continued)

The remainder of the goodwill carrying amount is made up of numerous CGUs spanning all of the group's segments.

Significant cash generating unit (CGU)	Carrying amount 2009 Rm	Basis for determining recoverable amount	Discount rate applied to cash flow %	Growth rate used to extrapolate cash flows %
Imperial Logistics International GmbH	307	Value in use	10,53	
Beekman Super Canopies (Pty) Limited	76	Value in use	10,90	3,3
Rijnaarde BV	65	Value in use	11,10	2,0

#### 5. Investments in associates and joint ventures

	2009 Rm	2008 Rm
Unlisted shares at cost	770	565
Share of post-acquisition reserves (net of impairments)	1 183	1 126
Goodwill written off	(22)	(22)
Carrying value of shares	1 931	1 669
Indebtedness by associates and joint ventures	338	277
Call option (Lereko Mobility)	65	71
Carrying value of investment in associates and joint ventures	2 334	2 017
Reclassified to associate held for sale	(1 544)	
	790	2 017
<b>Valuation of shares</b>		
Unlisted shares at directors' valuation	1 931	1 669
Unrecognised share of losses of associates and joint ventures exceeding the group's interest in the associate		
Current period unrecognised losses	106	115
Cumulative unrecognised losses	221	115

Details of the group's principal associates and joint ventures are reflected in Annexure B.

The directors' valuation has been established by reference to the group's share of the net assets of the associates and joint ventures.

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED...

for the year ended 30 June 2009

## 5. Investments in associates and joint ventures (continued)

The group's effective share of balance sheet and income statement items in respect of associates and joint ventures is as follows:

	<b>Imperial Bank Rm</b>	<b>Other associates Rm</b>	<b>Joint ventures Rm</b>	<b>Total 2009 Rm</b>	Total 2008 Rm
<b>Income statements</b>					
Revenue	980	1 688	319	<b>2 987</b>	3 157
Profit before net financing costs	206	60	13	<b>279</b>	459
Net finance cost	(15)	(56)	(9)	<b>(80)</b>	(96)
Income from associates and joint ventures		31		<b>31</b>	51
Profit before taxation	191	35	4	<b>230</b>	414
Income tax expense	(65)	(57)	(1)	<b>(123)</b>	(136)
<b>Net profit for year</b>	<b>126</b>	<b>(22)</b>	<b>3</b>	<b>107</b>	<b>278</b>
<b>Balance sheets</b>					
Total assets	25 517	2 548	261	<b>28 326</b>	24 334
Capital and reserves, including minorities	1 544	268	50	<b>1 862</b>	1 687
Interest-bearing borrowings	23 635	955	132	<b>24 722</b>	21 269
Non-interest-bearing liabilities	338	1 325	79	<b>1 742</b>	1 378
<b>Total equity and liabilities</b>	<b>25 517</b>	<b>2 548</b>	<b>261</b>	<b>28 326</b>	<b>24 334</b>

	<b>Land, buildings and leasehold improve- ments Rm</b>	<b>Equipment and furniture Rm</b>	<b>Motor vehicles Rm</b>	<b>Aircraft Rm</b>	<b>Total Rm</b>
<b>6. Property, plant and equipment</b>					
<b>For the year ended 30 June 2009</b>					
– Cost	<b>5 454</b>	<b>2 481</b>	<b>370</b>	<b>38</b>	<b>8 343</b>
– Accumulated depreciation and impairment	<b>653</b>	<b>1 549</b>	<b>156</b>	<b>9</b>	<b>2 367</b>
	<b>4 801</b>	<b>932</b>	<b>214</b>	<b>29</b>	<b>5 976</b>
Net book value at beginning of year	<b>4 589</b>	<b>922</b>	<b>170</b>		<b>5 681</b>
Reclassified from leasing assets			<b>58</b>	<b>29</b>	<b>87</b>
Net acquisition of subsidiaries and businesses	<b>64</b>	<b>38</b>	<b>5</b>		<b>107</b>
Additions	<b>469</b>	<b>356</b>	<b>209</b>	<b>5</b>	<b>1 039</b>
Proceeds on disposal	<b>(148)</b>	<b>(43)</b>	<b>(147)</b>	<b>(1)</b>	<b>(339)</b>
Depreciation	<b>(62)</b>	<b>(283)</b>	<b>(77)</b>	<b>(3)</b>	<b>(425)</b>
Impairment reversals	<b>11</b>	<b>2</b>			<b>13</b>
Profit on disposal	<b>75</b>				<b>75</b>
Currency adjustments	<b>(197)</b>	<b>(60)</b>	<b>(4)</b>	<b>(1)</b>	<b>(262)</b>
<b>Net book value at end of year</b>	<b>4 801</b>	<b>932</b>	<b>214</b>	<b>29</b>	<b>5 976</b>

	Land, buildings and leasehold improve- ments Rm	Equipment and furniture Rm	Motor vehicles Rm	Total Rm
<b>6. Property, plant and equipment</b> <i>(continued)</i>				
<b>For the period ended 30 June 2008</b>				
– Cost	5 180	2 188	249	7 617
– Accumulated depreciation and impairment	591	1 266	79	1 936
	4 589	922	170	5 681
Net book value at beginning of period	4 172	1 025	244	5 441
Net disposal of subsidiaries and businesses (including unbundling)	(465)	(135)	(79)	(679)
Additions	1 065	438	203	1 706
Proceeds on disposal	(185)	(39)	(75)	(299)
Depreciation	(58)	(315)	(74)	(447)
Impairments	(1)	(2)		(3)
Profit (loss) on disposal	69	(2)	3	70
Currency adjustments	209	82	3	294
Reclassified to assets held for sale	(217)	(130)	(55)	(402)
<b>Net book value at end of period</b>	<b>4 589</b>	<b>922</b>	<b>170</b>	<b>5 681</b>

A schedule of land and buildings is available for inspection by members or their authorised agents at the registered office of the company.

Certain property, plant and equipment has been encumbered as security for interest-bearing borrowings (note 22).

	<b>2009</b>	2008
	<b>Rm</b>	Rm
The total value of property, plant and equipment held under capitalised finance leases included above	<b>112</b>	80
<b>7. Transport fleet</b>		
– Cost	<b>6 515</b>	5 997
– Accumulated depreciation and impairment	<b>3 032</b>	2 532
	<b>3 483</b>	3 465
Net book value at beginning of year	<b>3 465</b>	2 789
Net acquisition of subsidiaries and businesses	<b>201</b>	257
Additions	<b>660</b>	955
Proceeds on disposal	<b>(211)</b>	(246)
Depreciation	<b>(500)</b>	(424)
Impairment costs	<b>(7)</b>	
Profit on disposal	<b>11</b>	6
Currency adjustments	<b>(136)</b>	128
<b>Net book value at end of year</b>	<b>3 483</b>	3 465
The total value of transport assets held under capitalised finance leases included above	<b>50</b>	17

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED...**  
for the year ended 30 June 2009

	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>8. Leasing assets</b>		
<b>For the year ended 30 June 2009</b>		
Net book value at beginning of year	<b>337</b>	
Reclassified to property, plant and equipment	<b>(87)</b>	
Reclassified to vehicles for hire	<b>(121)</b>	
Reclassified to inventory	<b>(129)</b>	
<b>Net book value at end of year</b>		
<b>For the period ended 30 June 2008</b>		
– Cost		368
– Accumulated depreciation and impairment		31
		337
Net book value at beginning of period		6 990
Net disposal of subsidiaries and businesses (including unbundling)		(6 592)
Additions		3 977
Proceeds on disposal		(1 717)
Depreciation		(1 108)
Impairments		(508)
Loss on disposal		(45)
Currency adjustments		95
Reclassified to assets held for sale		(755)
<b>Net book value at end of period</b>		337
<b>9. Vehicles for hire</b>		
– Cost	<b>2 291</b>	1 575
– Accumulated depreciation and impairment	<b>638</b>	289
	<b>1 653</b>	1 286
Net book value at beginning of year	<b>1 286</b>	1 012
Reclassified from leasing assets	<b>121</b>	
Net acquisition (disposal) of subsidiaries and businesses	<b>58</b>	(1)
Additions	<b>1 295</b>	1 276
Disposals	<b>(757)</b>	(710)
Depreciation	<b>(349)</b>	(293)
Impairments		(2)
Profit on disposal		3
Currency adjustments	<b>(1)</b>	1
<b>Net book value at end of year</b>	<b>1 653</b>	1 286
Certain vehicles for hire have been encumbered as security for interest-bearing borrowings (note 22).		

	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>10. Deferred taxation</b>		
Movement of deferred tax (assets) and liabilities		
Balance at beginning of year	<b>(88)</b>	746
Transferred to discontinued operations		(271)
Transferred through the income statement	<b>17</b>	(246)
Tax release on sale of Eqstra Holdings Limited shares in equity	<b>20</b>	
Under provisions in prior years	<b>8</b>	10
Tax rate adjustment		(11)
Capital gains		27
Arising on acquisitions and disposals (2008: including unbundling)	<b>49</b>	(334)
Currency adjustments	<b>11</b>	(15)
Reclassified (from) to assets held for sale	<b>(10)</b>	6
<b>Balance at end of year</b>	<b>7</b>	(88)
<b>Analysis of deferred tax (assets) and liabilities</b>		
– Property, plant and equipment	<b>75</b>	38
– Transport fleet	<b>508</b>	420
– Leasing assets		(21)
– Vehicles for hire	<b>58</b>	50
– Inventories	<b>(65)</b>	(60)
– Taxation losses	<b>(229)</b>	(109)
– Provisions	<b>(279)</b>	(251)
– Capital gains	<b>138</b>	109
– Other	<b>(199)</b>	(264)
	<b>7</b>	(88)
Deferred tax comprises		
– Assets	<b>(645)</b>	(637)
– Liabilities	<b>652</b>	549
	<b>7</b>	(88)
Unused tax losses available for offset against future profits	<b>(1 417)</b>	(857)
Deferred tax asset recognised in respect of such losses	<b>818</b>	389
Remaining tax losses not recognised as deferred tax assets due to unpredictability of future profit streams	<b>(599)</b>	(468)

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED...**  
for the year ended 30 June 2009

	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>11. Other investments and loans</b>		
<b>Investments</b>		
Listed at market value	<b>735</b>	1 635
Unlisted at fair value	<b>106</b>	309
	<b>841</b>	1 944
The above are categorised as follows:		
– Held for trading	<b>832</b>	1 636
– Designated at fair value through profit and loss	<b>420</b>	772
– Classified as held for trading	<b>412</b>	864
– Available for sale	<b>9</b>	308
	<b>841</b>	1 944
A schedule of investments is available for inspection by members or their authorised agents at the registered office of the company.		
<b>Loans</b>		
Share incentive trust receivables – at amortised cost less impairments	<b>177</b>	184
Other loans – at amortised cost	<b>118</b>	192
	<b>295</b>	376
<b>Total other investments and loans</b>	<b>1 136</b>	2 320
<b>Collateral held over the share incentive trust receivable</b>		
Fair value of collateral held	<b>177</b>	184
Shares in Imperial Holdings and Eqstra Holdings are held as collateral over the receivable.		
<b>Maturity analysis of the share incentive trust receivable</b>		
– Maturing within one year	<b>132</b>	
– Maturing after one year but within five years	<b>45</b>	184
	<b>177</b>	184
<b>Maturity analysis of other loans</b>		
– Maturing within one year	<b>10</b>	76
– Maturing after one year but within five years	<b>103</b>	28
– Maturing after five years	<b>5</b>	88
	<b>118</b>	192
<b>Maturity analysis of total loans</b>		
– Maturing within one year	<b>142</b>	76
– Maturing after one year but within five years	<b>148</b>	212
– Maturing after five years	<b>5</b>	88
	<b>295</b>	376
<b>Effective interest rates</b>		
Share incentive trust receivables	<b>10,7%</b>	11,4%
Other loans	<b>5,8% – 12,0%</b>	5,0% – 14,0%

	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>12. Other non-current financial assets</b>		
Reinsurance debtors – held at amortised cost	<b>203</b>	313
Cross currency swap – hedging instrument, classified as held for trading		17
	<b>203</b>	330
<b>13. Inventories</b>		
New vehicles	<b>2 702</b>	3 349
Used vehicles	<b>1 820</b>	1 994
New and used aircraft	<b>205</b>	164
Spares, accessories and finished goods	<b>726</b>	724
Petrol and oil	<b>45</b>	115
Merchandise	<b>45</b>	53
Work in progress	<b>49</b>	43
	<b>5 592</b>	6 442
Inventories carried at net realisable value included above	<b>2 606</b>	2 565
Net amount of inventory writedown expensed in the income statement	<b>103</b>	109
Certain inventories have been encumbered as security for interest-bearing borrowings (note 22).		
<b>14. Trade and other receivables</b>		
Trade	<b>5 296</b>	6 631
Prepayments and other	<b>315</b>	181
Derivative financial instruments – hedging instrument	<b>22</b>	9
	<b>5 633</b>	6 821
<b>15. Cash resources</b>		
Deposits and funds at call	<b>3 883</b>	1 694
Cash on hand and at bank	<b>772</b>	1 454
	<b>4 655</b>	3 148
Effective interest rates	<b>1,0% – 9,0%</b>	3,9% – 10,8%

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS** CONTINUED...  
for the year ended 30 June 2009

**16. Discontinued operations**

	<b>Total dis- continued operations 2009 Rm</b>	Total discontinued operations 2008 Rm	<b>Tourvest 2009 Rm</b>	Tourvest 2008 Rm
<b>The results of the discontinued businesses for the year:</b>				
Revenue	<b>2 064</b>	12 456	<b>466</b>	2 026
Operating profit	<b>133</b>	1 172	<b>10</b>	288
Impairment loss on share scheme loans		(84)		
Profit before net financing cost	<b>133</b>	1 088	<b>10</b>	288
Net finance cost	<b>(99)</b>	(660)	<b>(7)</b>	(36)
(Loss) income from associates and joint ventures	<b>(20)</b>	56		
Profit before tax	<b>14</b>	484	<b>3</b>	252
Income tax (reversal) expense	<b>(10)</b>	135		86
Trading profit after tax	<b>24</b>	349	<b>3</b>	166
Fair value profit (loss) on discontinuation	<b>484</b>	(2 269)	<b>529</b>	2
– Gross amount	<b>571</b>	(2 605)	<b>575</b>	2
– Taxation	<b>(87)</b>	336	<b>(46)</b>	
<b>Net profit (loss) for the year</b>	<b>508</b>	(1 920)	<b>532</b>	168
Minority interest	<b>(1)</b>	(195)	<b>(1)</b>	(76)
<b>Attributable to shareholders of Imperial Holdings Limited</b>	<b>507</b>	(2 115)	<b>531</b>	92
The major classes of assets and liabilities of the discontinued operations classified as held for sale at 30 June 2009 are as follows:				
<b>Assets</b>				
Intangible assets		460		460
Investments in associates and joint ventures	<b>10</b>	284		
Property, plant and equipment	<b>21</b>	402		275
Leasing assets	<b>258</b>	755		
Inventories	<b>165</b>	1 146		243
Trade and other receivables	<b>312</b>	1 067		433
Operating assets	<b>766</b>	4 114		1 411
Deferred tax asset	<b>16</b>	6		
Other non-current financial assets	<b>160</b>	31		
Cash resources	<b>8</b>	289		
<b>Assets classified as held for sale</b>	<b>950</b>	4 440		
<b>Liabilities</b>				
Deferred tax liability	<b>59</b>			
Interest-bearing borrowings	<b>15</b>	329		288
Provisions for liabilities and other charges	<b>223</b>	500		22
Payables	<b>162</b>	1 528		576
Liabilities directly associated with assets classified as held for sale	<b>459</b>	2 357		886
<b>Net assets directly associated with discontinued operations</b>	<b>491</b>	2 083		
Minority interest		246		
<b>Attributable to shareholders of Imperial Holdings Limited</b>	<b>491</b>	1 837		

<b>Commercial vehicles</b> <b>2009</b> <b>Rm</b>	Commercial vehicles 2008 Rm	<b>Aviation</b> <b>2009</b> <b>Rm</b>	Aviation 2008 Rm	<b>Leasing and capital equipment</b> <b>2009</b> <b>Rm</b>	Leasing and capital equipment 2008 Rm	<b>Autoparts (UK)</b> <b>2009</b> <b>Rm</b>	Autoparts (UK) 2008 Rm
<b>1 005</b>	2 017	<b>593</b>	1 284		6 193		936
<b>66</b>	(39) (3)	<b>57</b>	(27) (40)		940 (41)		10
<b>66</b> <b>(28)</b>	(42) (97) 4	<b>57</b> <b>(64)</b> <b>(20)</b>	(67) (128) 52		899 (405)		10 6
<b>38</b> <b>10</b>	(135) (29)	<b>(27)</b> <b>(20)</b>	(143) (72)		494 145		16 5
<b>28</b>	(106) (701)	<b>(7)</b> <b>(45)</b>	(71) (1 276)		349		11 (294)
	(972) 271	<b>(4)</b> <b>(41)</b>	(1 341) 65				(294)
<b>28</b>	(807)	<b>(52)</b>	(1 347)		349 (119)		(283)
<b>28</b>	(807)	<b>(52)</b>	(1 347)		230		(283)
<b>10</b> <b>14</b>	10 80	<b>7</b>	274 47				
<b>155</b> <b>68</b>	809 451	<b>258</b> <b>10</b> <b>244</b>	755 94 183				
<b>247</b>	1 350	<b>519</b>	1 353				
<b>116</b> <b>93</b>	33 466 432	<b>59</b> <b>15</b> <b>107</b> <b>69</b>	8 12 520				
<b>209</b>	931	<b>250</b>	540				

#### Tourism

Tourism Investment Corporation Limited (Tourvest) is a company previously listed on the JSE Limited in which the group held a 66% interest. The directors were of the opinion that it is not a core business and our interest has been sold.

#### Commercial vehicles

Commercial Vehicle Holdings relinquished its distribution rights for International and DAF trucks due to our conclusion that this business model led to mispricing and overstocking. This led to the decision to discontinue this line of business.

#### Aviation

This business including Safair, Safair Lease Finance, Naturelink and the Air Contractors Group was considered by the board as capital-intensive and not giving the required returns. Air Contractors and the Safair Group has been sold.

#### Leasing and Capital Equipment

This capital-intensive division was unbundled to shareholders in May 2008.

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED...

for the year ended 30 June 2009

	2009 Rm	2008 Rm
<b>17. Share capital</b>		
<b>Authorised share capital</b>		
394 999 000 (2008: 394 999 000) ordinary shares of 4 cents each	15	15
50 000 000 (2008: 50 000 000) deferred ordinary shares of 4 cents each	2	2
15 000 000 (2008: 15 000 000) preferred ordinary shares of 4 cents each	1	1
1 000 (2008: 1 000) redeemable preference shares of 4 cents each		
40 000 000 (2008: 40 000 000) non-redeemable, non-participating preference shares of 4 cents each	2	2
	<b>20</b>	<b>20</b>
<b>Issued share capital</b>		
212 129 870 (2008: 212 129 870) ordinary shares of 4 cents each	8	8
16 781 968 (2008: 16 781 968) deferred ordinary shares of 4 cents each	1	1
14 516 617 (2008: 14 516 617) preferred ordinary shares of 4 cents each	1	1
4 540 041 (2008: 4 540 041) non-redeemable, non-participating preference shares of 4 cents each (see note 20)		
	<b>10</b>	<b>10</b>

## Deferred ordinary shares

The deferred ordinary shares will convert to ordinary shares when certain predetermined growth rates in headline earnings are achieved during the period July 2004 to June 2018.

If the deferred ordinary shares have not converted by 2018 then 500 000 deferred ordinary shares will convert annually until the converted deferred ordinary shares equate to 10,1% of total ordinary shares in issue net of treasury shares.

The salient features of the conversion are:

### During the first seven years

- Base headline earnings hurdles established to calculate the number of preferred ordinary shares converted have been amended with the unbundling of the Leasing and Capital Equipment division (Eqstra Holdings Limited).
- With effect from the financial period ended 30 June 2008 the base headline hurdle for Imperial has been revised to R2 178 million.
- The amount will be escalated annually at a compound growth rate of 13% until 2011.
- A portion of earnings in excess of the base headline earnings hurdles would equate to the notional value that is attributed to Ukhamba Holdings, the holders of the deferred ordinary shares.
- The portion attributable to Ukhamba will be calculated as follows:
  - Earnings within a 13% to 15% growth rate on the previous year's base headline earnings hurdle: 25% attributed to Ukhamba.
  - Earnings within a 15% to 17% growth rate on the previous year's base headline earnings hurdle: 50% attributed to Ukhamba.
  - Earnings in excess of 17% growth rate on the previous year's base headline earnings hurdle: 75% attributed to Ukhamba.
- At the end of each financial year, the amount calculated as value attributed to Ukhamba will be translated into a number of ordinary shares based on a five-month volume-weighted average share price.
- It will be this number of shares that will become ordinary shares on an annual basis.
- The maximum number of deferred ordinary shares that can convert in any one year is 2,5% of the weighted number of ordinary shares in issue.
- Earnings within a 10% to 13% growth rate will give rise to a minimum of 1 million ordinary shares being converted, reduced by the ratio of the ordinary shares in issue net of treasury shares at the start date of the transaction over the current ordinary shares in issue net of treasury shares.

### During the next seven years

- To the extent that there remain deferred ordinary shares that have not converted into ordinary shares, then the remaining deferred ordinary shares will convert on a non-cumulative basis as follows:
  - If headline earnings per share growth over the previous financial year equals or exceeds:
    - 10% then 500 000 deferred ordinary shares will convert into ordinary shares.
    - 11% then 750 000 deferred ordinary shares will convert into ordinary shares.
    - 12% then 1 000 000 deferred ordinary shares will convert into ordinary shares.
    - 13% then 1 250 000 deferred ordinary shares will convert into ordinary shares.
  - If headline earnings per share growth over the previous financial year is lower than 10%, there will be no conversion of deferred ordinary shares into ordinary shares.

## 17. Share capital (continued)

### Thereafter

- To the extent that there are deferred ordinary shares that have not converted into ordinary shares, 500 000 of the remaining deferred ordinary shares will convert annually until the converted deferred ordinary shares equate to 10,1% of the total ordinary shares in issue net of treasury shares.

To the end of the current financial year a total to date of 5 973 421 (2008: 5 973 421) deferred ordinary shares were converted into ordinary shares. Based on the minimum conversion for the year ended 30 June 2009, 886 269 shares will convert in July 2009.

### Preferred ordinary shares

On 27 June 2005, 14 516 617 preferred ordinary shares were issued to Lereko Mobility at a total premium of R805 393 660.

The salient terms and conditions of the preferred ordinary shares are as follows:

- Although not listed, they will rank *pari passu* in all respects with all ordinary shares in respect of voting.
- They will automatically convert into ordinary shares on 30 September 2010 on a one for one basis.
- Upon conversion, they will rank *pari passu* in all respects with ordinary shares and be listed on the JSE.
- They confer on the holders the right to receive a cumulative fixed annual dividend or capital distribution of 535 cents per annum payable in equal instalments of 267,5 cents on 31 March and 30 September of each year from and including 30 September 2005, up to and including 30 September 2010.

### Group share schemes

Total rights authorised and currently allocated in terms of group share schemes	Number of shares	
	2009	2008
Imperial Holdings Share Incentive Trust	138 600	138 600
Imperial Executive Share Purchase Scheme	2 773 000	3 307 000
Share option scheme	23 000	183 050
Imperial Bonus Rights Scheme	272 800	876 900
Share appreciation rights scheme	15 313 524	11 328 556
Deferred bonus plan	417 865	482 064
<b>Total shares currently allocated in terms of group share schemes</b>	<b>18 938 789</b>	<b>16 316 170</b>
<b>Share scheme details are as follows:</b>		
<b>Imperial Holdings Share Incentive Trust</b>		
Shares allocated at beginning of year	138 600	5 040 100
Shares settled by participants		4 901 500
<b>Shares still to be settled by participants</b>	<b>138 600</b>	<b>138 600</b>
<b>Imperial Executive Share Purchase Scheme</b>		
Shares still to be settled at beginning of year	3 307 000	3 932 000
Shares not taken up and transferred to subsidiary as treasury shares		(660 000)
Shares allocated during the year		35 000
Shares transferred on unbundling	(534 000)	
<b>Shares still to be settled by participants</b>	<b>2 773 000</b>	<b>3 307 000</b>

	2009		2008	
	Number of shares	Weighted average exercise price (Rand)	Number of shares	Weighted average exercise price (Rand)
<b>Share option scheme</b>				
Options granted at beginning of year	183 050	41,15	260 050	42,22
Options exercised during the year	(118 150)	36,88	(77 000)	46,46
Options forfeited during the year	(41 900)	40,08		
<b>Unexercised options at end of year</b>	<b>23 000</b>	<b>55,62</b>	<b>183 050</b>	<b>41,15</b>

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED...**  
for the year ended 30 June 2009

**17. Share capital (continued)**

	2009		2008	
	Number of shares	Weighted average exercise price (Rand)	Number of shares	Weighted average exercise price (Rand)
<b>Imperial Holdings Share Purchase Scheme</b>				
Options granted at beginning of year			762 500	57,51
Options exercised during the year			(756 500)	57,52
Options forfeited during the year			(6 000)	62,30
<b>Unexercised options at end of year</b>				
<b>Imperial Bonus Rights Scheme</b>				
Rights to ordinary shares granted at beginning of year	<b>876 900</b>	<b>116,26</b>	637 500	100,78
Rights to ordinary shares granted during the year			292 400	150,08
Rights to ordinary shares forfeited during the year	<b>(604 100)</b>	<b>105,11</b>	(53 000)	109,11
<b>Ordinary shares still available under the scheme</b>	<b>272 800</b>	<b>150,08</b>	876 900	116,26
<b>Share appreciation rights scheme</b>				
Rights granted at beginning of year	<b>11 328 556</b>	<b>49,48</b>	11 328 556	49,48
Rights allocated during the year	<b>4 405 183</b>	<b>55,32</b>		
Rights forfeited during the year	<b>(420 215)</b>	<b>49,48</b>		
<b>Unexercised rights at end of year</b>	<b>15 313 524</b>	<b>51,11</b>	11 328 556	
<b>Deferred bonus plan</b>				
Rights granted at beginning of year	<b>482 064</b>		482 064	
Rights exercised during the year	<b>(182 994)</b>			
Rights forfeited during the year	<b>(36 546)</b>			
Prior year rights carried forward	<b>262 524</b>		482 064	
Rights allocated during the year	<b>155 341</b>			
<b>Unexercised rights at end of year</b>	<b>417 865</b>		482 064	
<b>Share option scheme – details of unexercised options by year of grant</b>				
July 1999 to June 2000	23 000	55,62	July 2009 to June 2010	
<b>Bonus rights scheme – details of rights by year of grant</b>				
July 2007	272 800	150,08	June 2011	
<b>Share appreciation rights scheme – details of shares by year of grant</b>				
June 2008	10 908 341	49,48	May 2015	
June 2009	4 405 183	55,32	June 2016	
<b>Total unexercised rights at end of year</b>	<b>15 313 524</b>			
<b>Total weighted average price</b>		<b>51,11</b>		

## 17. Share capital (continued)

### Share option scheme – details of unexercised options by year of grant continued

Upon exercise by participants the group will settle the value of the difference between the exercise and grant price by delivering shares, alternatively as a fall-back provision only by settling the value in cash.

No dilution is expected as it is intended to acquire the necessary shares in the market and appropriate hedges have been established.

### Deferred bonus plan – details of shares by year of grant<sup>#</sup>

Grant date	Number of rights	Expiry date
June 2008	262 524	September 2012
June 2009	155 341	September 2012
<b>Total unexercised rights at end of year</b>	<b>417 865</b>	

### Deferred bonus plan – details of rights taken up<sup>#</sup>

Rights taken up	Number of rights	Vesting date
July 2008	182 994	September 2011

<sup>#</sup> Rights entitle participants to invest a portion of their after-tax bonus in Imperial shares, which, if held for three years, will be matched by the company on a one-for-one basis by the allocation of an equal number of Imperial shares for no consideration.

### Directors' Interests in issued share capital

At year-end the aggregate shareholdings of the directors in the issued ordinary share capital of the company were as detailed below.

Director	2009		2008	
	Beneficial number of shares	Non-beneficial number of shares	Beneficial number of shares	Non-beneficial number of shares
<b>Non-executive</b>				
MJ Leeming		<b>928</b>		928
RJA Sparks	<b>40 000</b>		40 000	
Y Waja	<b>927</b>		927	
	<b>40 927</b>	<b>928</b>	40 927	928
<b>Executive</b>				
OS Arbee	<b>158 783</b>		150 336	
HR Brody <sup>#</sup>	<b>193 732</b>		175 000	
MP de Canha	<b>1 115 571</b>		879 937	
RL Hiemstra	<b>193 773</b>		180 000	
N Hoosen <sup>*</sup>			169 500	
AH Mahomed	<b>157 056</b>		371 509	6 444
	<b>1 818 915</b>		1 926 282	6 444
	<b>1 859 842</b>	<b>928</b>	1 967 209	7 372

<sup>#</sup> HR Brody in addition holds a beneficial interest in 3 700 preference shares.

<sup>\*</sup> No longer a director at 30 June 2009.

As a result of the implementation of the Lereko Mobility BEE transaction MV Moosa being a shareholder of Lereko Mobility holds a beneficial interest in 1 331 145 (2008: 1 331 145) preferred ordinary shares.

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED...**  
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	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>18. Shares repurchased</b>		
23 864 456 (2008: 23 864 456) ordinary shares at an average of R76,09 (2008: R76,09) each	<b>(1 816)</b>	(1 816)
	<b>(1 816)</b>	(1 816)
<b>19a. Other reserves</b>		
Share-based payment reserve	<b>(146)</b>	(64)
Hedging reserve	<b>(103)</b>	38
Statutory reserves	<b>227</b>	304
Translation reserve	<b>210</b>	757
Valuation reserve	<b>92</b>	238
	<b>280</b>	1 273
Refer to the statement of changes in equity for detailed analysis of the movements in other reserves.		
The fair values for the share-based payment reserves were calculated using a Black-Scholes pricing model.		
The inputs into the model established at the grant dates and which have not changed were as follows:		
<b>Share option scheme</b>		
Volatility (%)	<b>10,43</b>	
Weighted average share price (Rand)	<b>58,12</b>	
Weighted average exercise price (Rand)	<b>58,12</b>	
Expected life (years)	<b>4</b>	
Average risk-free rate (%)	<b>6,69</b>	
Expected dividend yield (%)	<b>4,33</b>	
<b>Bonus rights scheme – July 2007</b>		
Volatility (%)	<b>32,50</b>	
Weighted average share price (Rand)	<b>141,49</b>	
Weighted average exercise price (Rand)	<b>150,08</b>	
Expected life (years)	<b>4</b>	
Average risk-free rate (%)	<b>10,26</b>	
Expected dividend yield (%)	<b>4,50</b>	
<b>Share appreciation rights scheme – June 2008</b>		
Volatility (%)	<b>35,00</b>	
Weighted average share price (Rand)	<b>50,90</b>	
Weighted average exercise price (Rand)	<b>49,48</b>	
Expected life (years)	<b>3,28</b>	
Average risk-free rate (%)	<b>12,37</b>	
Expected dividend yield (%)	<b>5,68</b>	
<b>Deferred bonus plan – June 2008</b>		
Volatility (%)	<b>35,00</b>	
Weighted average share price (Rand)	<b>50,90</b>	
Weighted average exercise price (Rand)		
Expected life (years)	<b>3,28</b>	
Average risk-free rate (%)	<b>12,37</b>	
Expected dividend yield (%)	<b>5,68</b>	

	2009 Rm	2008 Rm
<b>19a. Other reserves (continued)</b>		
<b>Share appreciation rights scheme – June 2009</b>		
Volatility (%)	40,00	
Weighted average share price (Rand)	55,32	
Weighted average exercise price (Rand)	55,32	
Expected life (years)	3,25	
Average risk-free rate (%)	8,35	
Expected dividend yield (%)	2,76	
<b>Deferred bonus plan – June 2009</b>		
Volatility (%)	40,00	
Weighted average share price (Rand)	55,32	
Weighted average exercise price (Rand)		
Expected life (years)	3,25	
Average risk-free rate (%)	8,35	
Expected dividend yield (%)	2,76	
<p>The volatilities were determined by calculating the historical volatility of the company's share price over the previous five years. The expected life is determined by the rules of the schemes which dictate the expiry date.</p> <p>The current financial year's movement raised in the income statement is detailed in note 28.</p>		
<b>Lereko transaction</b>		
<p>Imperial entered into a black economic empowerment transaction with Lereko Mobility (Pty) Limited. The substance of this transaction was to grant the Lereko Consortium a call option over the delivery of a variable number of shares on 15 June 2015. This would be determined by the amount by which the value of 14 516 617 Imperial Holdings Limited ordinary shares exceeded the settlement of the funding.</p> <p>The Monte Carlo simulation method was used to value this call option evaluating 100 000 potential outcomes for the call option granted on 15 June 2005 and vesting on 15 June 2015. The start price was R96,85.</p>		
<b>19b. Translation reserves</b>		
Opening balance at beginning of year	757	490
<b>Movements in translation reserves</b>		
Intangible assets	(37)	112
Investments, loans, associates and joint ventures	(15)	67
Property, plant and equipment	(262)	294
Transport fleet	(136)	128
Leasing assets		95
Vehicles for hire	(1)	1
Deferred taxation	(11)	15
Inventories	(164)	170
Current taxation	13	(17)
Trade and other receivables	(255)	469
Cash resources	(169)	344
Minorities	14	(21)
Retirement benefit obligations	34	(63)
Interest-bearing borrowings	148	(890)
Insurance and investment contracts	2	(2)
Provisions for liabilities and other charges	40	(52)
Trade and other payables	247	(437)
	205	703
Direct transfer from retained earnings	5	
Unbundled to shareholders		54
<b>Closing balance at end of year</b>	<b>210</b>	<b>757</b>

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for the year ended 30 June 2009

	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>20. Non-redeemable, non-participating preference shares</b>		
Non-redeemable, non-participating preference shares	<b>441</b>	441
4 540 041 preference shares were issued during the 2007 financial year and are listed on the JSE under specialist securities – preference shares sector.		
These shares are entitled to a preference dividend being 75% of the prime interest rate. The company is obligated to pay any arrear dividends within five years from the proceeds raised by issuing new ordinary shares within six months prior to such payment. Because of the cumulative nature of these preference shares, they are classified as debt with no repayment terms.		
The coupon is payable semi-annually in March and September and annually this amounts to R49 million (2008: R51 million) based on current rates of interest.		
<b>21. Retirement benefit obligations</b>		
<b>Defined contribution plans</b>		
The group provides retirement benefits through independent funds under the control of trustees and all contributions to those funds are charged to the income statement. The large majority of South African employees, other than those employees required by legislation to be members of various industry funds, are members of the Imperial Group Pension Fund and the Imperial Group Provident Fund which are governed by the Pensions Funds Act, 1956.		
Total cost charged to the income statement	<b>350</b>	318
<b>Defined benefit plans</b>		
Imperial Logistics International GmbH, a subsidiary located in Germany, operates a number of unfunded defined benefit plans for its employees in Europe. Under the plans the employees are entitled to retirement benefits which are dependent on seniority, length of service and level of pay.		
The benefit obligations in Europe are provided for based on actuarial valuations prepared using the projected unit credit method, with the following assumptions:		
– Discount rate	<b>6,00%</b>	5,75%
– Projected pension payment increase	<b>2,25%</b>	2,25%
– Projected salary and other contribution increase	<b>2,00%</b>	2,00%
– Fluctuation rate (depends on the age of male or female)	<b>0% – 8,00%</b>	0% – 8,00%
The latest actuarial valuation was performed in June 2009. In the opinion of the actuary, the provision for the defined benefit obligations is adequate. The next valuation will be conducted in June 2010.		
The amounts, included in staff costs, recognised in the income statement in respect of the plans are as follows:		
Current service cost	<b>4</b>	4
Actuarial gain		1
Expected return on plan assets	<b>(1)</b>	
Interest costs	<b>15</b>	15
	<b>18</b>	20
The amount included in the balance sheet arising from the group's obligations is as follows:		
Unfunded obligations	<b>256</b>	286
Movements in the liability in the current year were as follows:		
Balance at beginning of year	<b>286</b>	230
Acquisition of subsidiary		1
Payments to retired employees	<b>(14)</b>	(15)
Plan assets transfers		(13)
Currency adjustments	<b>(34)</b>	63
Amounts charged to income	<b>18</b>	20
<b>Balance at end of year</b>	<b>256</b>	286

	<b>2009</b>	2008	2007	2006	2005
	<b>Rm</b>	Rm	Rm	Rm	Rm
<b>21. Retirement benefit obligations</b> <i>(continued)</i>					
<b>Defined benefit plans</b> <i>(continued)</i>					
Present value of net liability of defined benefit obligation	<b>232</b>	269	226	219	185
Surplus (deficit)	<b>24</b>	17	4	(1)	5
Net liability recognised on balance sheet	<b>256</b>	286	230	218	190
In addition the following net experience adjustments were incurred	<b>1</b>	(11)	–	–	–
	<b>2009</b>	2008			
	<b>Rm</b>	Rm			
<b>22. Interest-bearing borrowings</b>					
<b>Long-term</b>					
– Loans secured by mortgage bonds over fixed property	<b>57</b>	28			
– Liabilities under capitalised finance leases	<b>163</b>	150			
– Instalment sale creditors secured by assets	<b>89</b>	74			
– Corporate bonds	<b>7 301</b>	7 686			
– <i>Listed on the Bond Exchange of South Africa</i>					
– Held at fair value – IC 02	<b>510</b>	452			
– Held at amortised cost – IPL 3	<b>1 007</b>	1 006			
– Held at amortised cost – IPL 4	<b>1 528</b>	1 527			
– Held at amortised cost – IC 01	<b>1 029</b>	1 029			
– <i>Listed on the gilt edged and fixed interest market of the London Stock Exchange</i>					
– Held at amortised cost – Eurobond	<b>1 441</b>	1 844			
– Held at fair value – Eurobond	<b>1 786</b>	1 828			
– Unsecured loans	<b>160</b>	173			
	<b>7 770</b>	8 111			
<b>Short-term</b>					
– Unsecured loans, call borrowings and bank overdrafts	<b>688</b>	1 870			
– Commercial paper	<b>1 336</b>	1 618			
	<b>2 024</b>	3 488			
<b>Total borrowings</b>	<b>9 794</b>	11 599			
Less: Current portion of interest-bearing borrowings	<b>2 139</b>	3 496			
<b>Long-term borrowings</b>	<b>7 655</b>	8 103			
The above are categorised as follows:					
– Held for trading					
– Classified as held for trading	<b>2 296</b>	2 280			
– Amortised cost	<b>7 498</b>	9 319			
	<b>9 794</b>	11 599			

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for the year ended 30 June 2009

	Effective rates	2009 Rm	2008 Rm
<b>22. Interest-bearing borrowings (continued)</b>			
<b>Interest rate analysis</b>			
<b>Fixed</b>			
– Mortgage bonds, capitalised finance leases and instalment sale creditors	5,0% – 15,0%	143	107
– Capitalised finance leases	16,0%	57	55
– Corporate bonds – IPL 3	10,1%	1 007	1 006
– Corporate bonds – IPL 4	9,0%	1 528	1 527
– Corporate bonds – IC 01	8,5%	1 029	1 029
– Eurobond	4,9%	1 441	1 844
– Unsecured loans	3,0% – 6,0%	154	170
– Unsecured loans	1,0% – 3,0%	125	
– Unsecured loans	10,0% – 11,0%	7	68
– Commercial paper	11,6%	1 336	1 618
<b>Variable linked</b>			
– Mortgage bonds, capitalised finance leases and instalment sale creditors	5,0% – 14,0%	110	90
– Corporate bond – IC 02	8,4% – 12,3%	510	452
– Eurobond	8,7%	1 786	1 828
– Unsecured loans	5,0% – 9,0%		17
– Unsecured loans	9,0% – 12,0%	51	129
– Unsecured loans	3,0% – 4,0%	13	
– Unsecured loans	4,0% – 11,0%	324	746
– Call borrowings	10,8% – 12,8%	133	772
– Bank overdrafts	6,0% – 7,0%	40	141
		<b>9 794</b>	<b>11 599</b>

See note 39 for interest rate swap arrangements

	More than five years Rm	One to five years Rm	Less than one year Rm	2009 Rm	2008 Rm
<b>Capitalised finance leases</b>					
Total minimum lease payments	122	114	40	276	342
Less: Amounts representing finance charges	68	31	14	113	192
<b>Present value of minimum lease payments</b>	<b>54</b>	<b>83</b>	<b>26</b>	<b>163</b>	<b>150</b>

Summary of long-term borrowings by currency and year of redemption or repayment	2014 and onwards Rm	2013 Rm	2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm
SA rand	1 560	18	532	2 070	1 685	5 865	6 889
British pounds	23				116	139	325
Euro	69	3 270	49	64	187	3 639	3 945
Australian dollar					151	151	440
	<b>1 652</b>	<b>3 288</b>	<b>581</b>	<b>2 134</b>	<b>2 139</b>	<b>9 794</b>	<b>11 599</b>

**22. Interest-bearing borrowings** *(continued)*

Details of encumbered assets	Debt secured		Net book value of assets encumbered	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Property, plant and equipment	138	28	102	64
Transport fleet	902	761	1 204	1 093
Leasing assets		150		69
Vehicles for hire	809	795	1 198	1 154
Inventories	151	440	169	413
	<b>2 000</b>	2 174	<b>2 673</b>	2 793

The above totals include fleets financed through Imperial Capital Limited which has a security structure for the lenders to that entity.

	2009 Rm	2008 Rm
<b>Borrowing facilities</b>		
Total facilities established	11 420	13 980
Less: Utilised for guarantees and letters of credit	54	
	<b>11 366</b>	13 980
Less: Total borrowings, excluding commercial paper issues and corporate bonds	1 157	2 295
<b>Unutilised borrowing capacity</b>	<b>10 209</b>	11 685
In terms of the articles of association the borrowing powers of the group are unlimited.		
<b>23. Insurance and investment contracts</b>		
Long-term insurance funds	525	638
Short-term insurance funds	831	897
	<b>1 356</b>	1 535
See Annexure C for further details.		
<b>24. Other non-current financial liabilities</b>		
Interest rate swap instruments	108	55
Contingent consideration	49	
Other fair value derivatives		43
	<b>157</b>	98

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS** CONTINUED...  
for the year ended 30 June 2009

	<b>Leave pay Rm</b>	<b>Bonuses Rm</b>	<b>Insurance claims Rm</b>	<b>Other Rm</b>	<b>Total Rm</b>
<b>25. Provisions for liabilities and other charges</b>					
<b>For the year ended 30 June 2009</b>					
Balance at beginning of year	<b>246</b>	<b>143</b>	<b>225</b>	<b>291</b>	<b>905</b>
Amounts added	<b>182</b>	<b>136</b>	<b>175</b>	<b>274</b>	<b>767</b>
Unused amounts reversed	<b>(7)</b>	<b>(2)</b>		<b>(37)</b>	<b>(46)</b>
Charged to income	<b>175</b>	<b>134</b>	<b>175</b>	<b>237</b>	<b>721</b>
Amounts utilised	<b>(175)</b>	<b>(117)</b>	<b>(169)</b>	<b>(187)</b>	<b>(648)</b>
Net acquisitions of subsidiaries and businesses	<b>7</b>	<b>7</b>		<b>44</b>	<b>58</b>
Currency adjustments	<b>(13)</b>	<b>(1)</b>		<b>(26)</b>	<b>(40)</b>
<b>Balance at end of year</b>	<b>240</b>	<b>166</b>	<b>231</b>	<b>359</b>	<b>996</b>
Payable in less than one year					<b>908</b>
Payable in one to five years					<b>22</b>
Payable in more than five years					<b>66</b>
					<b>996</b>
<b>For the period ended 30 June 2008</b>					
Balance at beginning of period	279	192	218	465	1 154
Amounts added	220	152	210	460	1 042
Unused amounts reversed	(6)	(12)	(1)	(33)	(52)
Charged to income	214	140	209	427	990
Amounts utilised	(198)	(149)	(164)	(76)	(587)
Net disposals of subsidiaries and businesses (including unbundling)	(28)	(37)	(38)	(101)	(204)
Currency adjustments	14	1		37	52
Reclassified to discontinued operations	(35)	(4)		(461)	(500)
<b>Balance at end of period</b>	<b>246</b>	<b>143</b>	<b>225</b>	<b>291</b>	<b>905</b>
Payable in less than one year					789
Payable in one to five years					39
Payable in more than five years					77
					905
				<b>2009 Rm</b>	2008 Rm
<b>26. Trade and other payables</b>					
Trade payables and accruals				<b>7 379</b>	8 272
Deferred income				<b>844</b>	871
Derivative financial instruments				<b>119</b>	17
				<b>8 342</b>	9 160

	2009 Rm	2008 Rm
<b>27. Revenue</b>		
<b>27.1 An analysis of the group's revenue is as follows:</b>		
Sales of goods	27 784	32 422
Rendering of services	21 675	21 015
Gross premiums received	2 667	2 378
Other	93	112
	<b>52 219</b>	<b>55 927</b>
<i>Revenue includes:</i>		
<b>27.2 Intergroup revenue received by subsidiaries from the group's associates and joint ventures</b>		
– Sales of goods	72	121
– Rendering of services	77	104
– Gross premiums received	24	25
	<b>173</b>	<b>250</b>
<i>Revenue excludes:</i>		
<b>27.3 Revenue between subsidiaries</b>		
– Sales of goods	779	1 126
– Rendering of services	236	485
– Gross premiums received	131	207
	<b>1 146</b>	<b>1 818</b>
<b>28. Net operating expenses</b>		
Purchase of goods	24 115	29 791
Changes in inventories, before net acquisition of subsidiaries and businesses	850	(692)
Cost of outside services	8 164	8 744
Reinsurance, claims and premium costs	2 114	2 119
Financial services – interest paid	8	9
Staff costs	7 181	6 634
Staff share-based payments (reversals)	55	(11)
Other operating income	(647)	(706)
Other operating costs	6 614	5 961
	<b>48 454</b>	<b>51 849</b>
<i>The above costs include:</i>		
Auditors' remuneration		
– Audit fees	39	40
– Consulting services	7	6
	<b>46</b>	<b>46</b>
<i>The above costs include:</i>		
Rental and operating lease charges		
– Property	543	507
– Plant and equipment	72	84
– Vehicles	21	26
– Aviation fleet		30
– Transport fleet	85	114
– Other	12	9
	<b>733</b>	<b>770</b>

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED...**  
for the year ended 30 June 2009

	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>28. Net operating expenses (continued)</b>		
Additional lease charges contingent upon turnover		
– Property	<b>59</b>	26
Net operating expenses include:		
(Impairment reversal) impairment of assets other than goodwill	<b>(8)</b>	6
Consultancy and other technical fees	<b>38</b>	20
Investment income	<b>(290)</b>	(176)
Interest income	<b>(266)</b>	(139)
Analysis of dividends received by investment type		
– Fair value through profit and loss investments		
– Designated	<b>(1)</b>	(10)
– Classified (held for trading)	<b>(23)</b>	(27)
Analysis of fair value gains (losses) on financial assets and liabilities included in investment income		
– Fair value through profit and loss on investments	<b>138</b>	(15)
– Designated	<b>12</b>	(39)
– Classified (held for trading)	<b>126</b>	24
– Fair value through profit and loss on investments		
– Classified (held for trading)		(314)
<b>29. Depreciation, amortisation and recoupments</b>		
Intangible assets	<b>49</b>	31
Property, plant and equipment	<b>425</b>	447
Transport fleet	<b>500</b>	424
Leasing assets		1 108
Vehicles for hire	<b>349</b>	293
	<b>1 323</b>	2 303
Profit on disposal of plant and equipment		(1)
Profit on disposal of transport fleet	<b>(11)</b>	(6)
Loss on disposal of leasing assets		45
Profit on disposal of vehicles for hire		(3)
	<b>1 312</b>	2 338
Less: Discontinued operations		1 183
– Depreciation and amortisation		1 138
– Loss on sale		45
	<b>1 312</b>	1 155

	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>30. Exceptional items</b>		
Impairment of goodwill	<b>(194)</b>	(47)
(Loss) profit on disposal of investments in subsidiaries, associates and joint ventures	<b>(20)</b>	48
Loss on sale of Eqstra Holdings Limited shares	<b>(217)</b>	
Gross exceptional items	<b>(431)</b>	1
Taxation		(25)
Net exceptional items	<b>(431)</b>	(24)
Attributable to minorities		1
Attributable to Imperial Holdings shareholders	<b>(431)</b>	(25)
<b>31. Financing cost</b>		
<b>Non-financial services businesses</b>		
Interest paid on financial liabilities not at fair value through profit or loss	<b>792</b>	734
Capitalised to property, plant and equipment	<b>(11)</b>	(19)
Interest paid on financial liabilities fair valued through profit or loss	<b>253</b>	298
Foreign exchange (gains) losses on monetary items	<b>(216)</b>	376
Fair value losses (gains) arising from interest-bearing borrowings and interest swap instruments	<b>277</b>	(417)
	<b>1 095</b>	972
Finance income on financial assets not fair valued through profit and loss	<b>(172)</b>	(165)
	<b>923</b>	807
<b>32. Income tax expense</b>		
<b>Income tax charge</b>		
South African normal taxation		
– Current	<b>348</b>	696
– Prior year (over)underprovisions	<b>(94)</b>	20
	<b>254</b>	716
<b>Foreign taxation</b>		
– Current	<b>153</b>	192
– Prior year overprovision	<b>(17)</b>	(4)
	<b>136</b>	188
<b>Deferred</b>		
– Current	<b>17</b>	(246)
– Prior year underprovisions	<b>8</b>	10
– Tax rate adjustment		(11)
	<b>25</b>	(247)
<b>Secondary and withholding taxation</b>	<b>80</b>	16
<b>Capital gains</b>		
– Current	<b>7</b>	7
– Deferred		27
	<b>7</b>	34
<b>Income tax expense</b>	<b>502</b>	707

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for the year ended 30 June 2009

	<b>2009</b>	2008
	<b>%</b>	<b>%</b>
<b>32. Income tax expense (continued)</b>		
<b>Reconciliation of tax rates:</b>		
Profit before taxation, excluding income from associates and joint ventures – effective rate	<b>32,1</b>	38,5
Income tax effect of:		
– Foreign tax differential	<b>0,5</b>	(0,7)
– Taxation assets not recognised	<b>(2,3)</b>	(1,1)
– Disallowable charges/capital losses	<b>(11,9)</b>	(11,2)
– Exempt/capital income	<b>8,5</b>	6,3
– Secondary tax on companies	<b>(5,1)</b>	(0,9)
– Capital gains	<b>(0,4)</b>	(1,9)
– Tax rate adjustment		0,6
– Prior year over(under)provision	<b>6,6</b>	(1,6)
	<b>28,0</b>	28,0
	<b>2009</b>	2008
	<b>Rm</b>	<b>Rm</b>
<b>33. Dividends and other distributions</b>		
<b>Ordinary shares</b>		
<i>Interim</i>		
– In the current year a dividend of 80 cents per share was paid on 30 March 2009	<b>150</b>	
– In the prior year no dividend was declared		
<i>Final</i>		
– An ordinary dividend of 120 cents per share is payable on 28 September 2009	<b>226</b>	
– In the prior year an ordinary dividend of 245 cents per share was paid on 29 September 2008.		461
<b>Preferred ordinary shares</b>		
<i>Interim</i>		
– In the current year a dividend of 267,5 cents per share was made on 27 March 2009	<b>39</b>	
– In the prior year, instead of an ordinary dividend, a capital distribution of 267,5 cents per share was made on 27 March 2008		39
<i>Final</i>		
– An ordinary dividend of 267,5 cents per share is payable on 25 September 2009	<b>39</b>	
– In the prior year, an ordinary dividend of 267,5 cents per share was paid on 26 September 2008		39
<i>Secondary tax on companies (STC) is payable at a rate of 10% upon payment of the dividends, less any STC credits available.</i>		

### 34. Earnings per share

#### Ordinary shares

Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders of Imperial Holdings by the weighted average number of ordinary shares in issue during the year.

	Continuing Rm	Discontinued operations Rm	Total Rm
<b>30 June 2009</b>			
Net profit attributable to equity holders of Imperial Holdings	1 011	507	1 518
Attributable to preferred ordinary shareholders	78		78
Attributable to ordinary shareholders	933	507	1 440
Weighted average number of ordinary shares (million)	185,5	185,5	185,5
Basic earnings per share (cents)	503	273	776
For diluted attributable earnings per share, the weighted average number of ordinary shares in issue is adjusted by deferred and preferred ordinary shares.			
Weighted average number of ordinary shares (million)	185,5	185,5	185,5
Adjusted for deferred and preferred ordinary shares (million)	22,5	22,5	22,5
<b>Weighted average number of ordinary shares for diluted earnings (million)</b>	<b>208,0</b>	<b>208,0</b>	<b>208,0</b>
<b>Diluted earnings per share (cents)</b>	<b>486</b>	<b>244</b>	<b>730</b>
<b>Headline earnings and diluted headline earnings per share is calculated as follows:</b>			
Net profit attributable to ordinary shareholders	933	507	1 440
Impairment reversal of assets	(8)		(8)
Profit on disposal of property, plant and equipment	(86)	15	(71)
Exceptional items	431	(571)	(140)
Exceptional items included in income from associates and joint ventures	4		4
Taxation	21	83	104
– Exceptional items	–	87	87
– Profit on disposal of property, plant and equipment	19	(4)	15
– Impairment reversal of assets	2		2
Minorities' share (profit on disposal of property, plant and equipment)	(1)	(1)	(2)
Headline earnings	1 294	33	1 327
Add back earnings attributable to preferred ordinary shareholders	78		78
<b>Diluted headline earnings</b>	<b>1 372</b>	<b>33</b>	<b>1 405</b>
Weighted average number of ordinary shares (million)	185,5	185,5	185,5
Headline basic earnings per share (cents)	698	17	715
Weighted average number of ordinary shares for diluted earnings (million)	208,0	208,0	208,0
Headline diluted earnings per share (cents)	660	15	675
<b>Preferred ordinary shares</b>			
Fixed amount attributable to preferred ordinary shares (cents)	535	535	535

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED...**  
for the year ended 30 June 2009

**34. Earnings per share (continued)**

	Continuing Rm	Discontinued operations Rm	Total Rm
<b>30 June 2008</b>			
<b>Ordinary shares</b>			
Net profit attributable to equity holders of Imperial Holdings	1 245	(2 115)	(870)
Attributable to preferred ordinary shareholders	78		78
Attributable to ordinary shareholders	1 167	(2 115)	(948)
Weighted average number of ordinary shares (million)	185,7	185,7	185,7
Basic earnings per share (cents)	629	(1 139)	(510)
For diluted attributable earnings per share, the weighted average number of ordinary shares in issue is adjusted by deferred and preferred ordinary shares.			
Weighted average number of ordinary shares (million)	185,7	185,7	185,7
Adjusted for deferred ordinary shares (million)	21,6	21,6	21,6
<b>Weighted average number of ordinary shares for diluted earnings (million)</b>	<b>207,3</b>	<b>207,3</b>	<b>207,3</b>
<b>Diluted earnings per share (cents)</b>	<b>600</b>	<b>(1 020)</b>	<b>( 420)</b>
<b>Headline earnings and diluted headline earnings per share is calculated as follows:</b>			
Net profit attributable to ordinary shareholders	1 167	(2 115)	(948)
Impairment of property, plant and equipment	4	1	5
Profit on disposal of property, plant and equipment	(78)	54	(24)
Exceptional items	(1)	2 605	2 604
Exceptional items included in income from associates and joint ventures	6		6
Taxation	44	(354)	(310)
– Exceptional items	25	(336)	(311)
– Impairment of property, plant and equipment	(1)		(1)
– Profit on sale of property, plant and equipment	20	(18)	2
Headline earnings	1 142	191	1 333
Add back earnings attributable to preferred ordinary shareholders	78		78
<b>Diluted headline earnings</b>	<b>1 220</b>	<b>191</b>	<b>1 411</b>
Weighted average number of ordinary shares (million)	185,7	185,7	185,7
Headline basic earnings per share (cents)	615	103	718
Weighted average number of ordinary shares for diluted earnings (million)	207,3	207,3	207,3
Headline diluted earnings per share (cents)	588	92	680
<b>Preferred ordinary shares</b>			
Fixed amount attributable to preferred ordinary shares (cents)	535	535	535

	2009 Rm	2008 Rm
<b>35. Notes to the cash flow statements</b>		
<b>(a) Cash generated by operations</b>		
Profit before net financing costs	3 193	1 126
– Continuing operations	2 489	2 643
– Discontinued operations	704	(1 517)
Adjustments for non-cash movements		
– Amortisation of intangible assets, net of recoupments	49	31
– Depreciation of property, plant and equipment	425	447
– Depreciation of property, plant and equipment – discontinued operations	27	
– Depreciation of transport fleet, net of recoupments	489	418
– Depreciation of leasing assets, net of recoupments		1 153
– Depreciation of leasing assets, net of recoupments – discontinued operations	19	
– Depreciation of vehicles for hire, net of recoupments	349	290
– Exceptional items – continuing and discontinued operations	(140)	2 294
– Profit on disposal of property, plant and equipment	(75)	(70)
– Fair value losses (gains) on insurance investment portfolios	138	(253)
– Impairment of assets	(8)	574
– Fair value adjustments	(24)	20
– Recognition of share-based payments	55	
– Net movement in insurance funds	(177)	55
– Increase in retirement benefit obligations	4	(8)
Cash generated by operations before changes in working capital	4 324	6 077
Working capital movements		
– Decrease (increase) in inventories	1 445	(593)
– Decrease (increase) in accounts receivable	1 633	(93)
– (Decrease) increase in accounts payable	(1 649)	298
	5 753	5 689
<b>(b) Acquisition of subsidiaries and businesses</b>		
Goodwill	173	235
Other intangibles	3	11
Property, plant and equipment	109	37
Transport fleet	203	257
Leasing assets		29
Vehicles for hire	58	
Deferred taxation	(45)	(4)
Other investments and loans	4	6
Inventories	7	8
Accounts receivable	197	71
Cash and cash equivalents	57	16
Minority interest	(28)	
Retirement benefit obligations		(35)
Interest-bearing borrowings	(181)	(42)
Provisions	(59)	(48)
Accounts payable	(117)	(32)
Taxation asset (liability)	27	(3)
	408	506
Less: Cash resources acquired	(57)	(16)
<b>Cash flow on acquisition</b>	<b>351</b>	<b>490</b>

**NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED...**  
for the year ended 30 June 2009

	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>35. Notes to the cash flow statements</b> <i>(continued)</i>		
<b>(c) Disposal of subsidiaries (2008: includes unbundling)</b>		
Other intangibles	7	11
Goodwill	471	204
Property, plant and equipment	279	716
Transport fleet	2	
Leasing assets		6 622
Vehicles for hire		1
Other investments and loans	49	248
Inventories	236	1 919
Taxation (owing) prepaid	(14)	52
Accounts receivable	480	1 670
Cash and cash equivalents	58	110
Minority interest	(248)	
Retirement benefit obligations		(33)
Interest-bearing borrowings	(203)	(5 384)
Insurance contracts		(8)
Deferred taxation	(1)	(338)
Provisions	(26)	(252)
Accounts payable	(573)	(2 772)
Net asset value	517	2 766
Less: Cash resources disposed of	(58)	(110)
Less: Repayment on interest bearing debt on unbundling reflected under financing activities		5 226
Unbundling distribution		(1 722)
Profit (loss) on sale of subsidiaries	555	(298)
<b>Proceeds on disposal</b>	<b>1 014</b>	5 862
Proceeds on disposal – discontinued operations	1 003	5 507
Proceeds on disposal – continuing operations	11	355
<b>(d) Net replacement capital expenditure</b>		
<i>Expenditure</i>		
– Intangibles	(69)	(54)
– Property, plant and equipment	(570)	(478)
– Transport fleet	(341)	(276)
– Leasing assets		(708)
– Vehicles for hire	(1 295)	(1 176)
	<b>(2 275)</b>	(2 692)
<i>Proceeds on disposals</i>		
– Intangibles	1	
– Property, plant and equipment	191	85
– Transport fleet	211	246
– Leasing assets		634
– Vehicles for hire	757	710
	<b>1 160</b>	1 675
<i>Net</i>		
– Intangibles	(68)	(54)
– Property, plant and equipment	(379)	(393)
– Transport fleet	(130)	(30)
– Leasing assets		(74)
– Vehicles for hire	(538)	(466)
	<b>(1 115)</b>	(1 017)
<b>(e) Cash and cash equivalents</b>		
Cash resources	4 655	3 148
Short-term loans and overdrafts	(2 024)	(3 488)
	<b>2 631</b>	(340)

	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>36. Commitments</b>		
<b>Capital expenditure commitments to be incurred</b>		
Contracted	<b>514</b>	480
Authorised by directors but not contracted	<b>30</b>	29
	<b>544</b>	509

The expenditure is substantially for the replacement of transport vehicles and the construction of buildings to be used by the group. Expenditure will be financed from proceeds on disposals and existing facilities.

	<b>More than five years</b>	<b>One to five years</b>	<b>Less than one year</b>	<b>2009</b>	2008
	<b>Rm</b>	<b>Rm</b>	<b>Rm</b>	<b>Rm</b>	Rm
Property	<b>790</b>	<b>956</b>	<b>376</b>	<b>2 122</b>	2 111
Vehicles	<b>3</b>	<b>70</b>	<b>50</b>	<b>123</b>	57
Plant and equipment		<b>7</b>	<b>5</b>	<b>12</b>	22
Leasing assets					44
	<b>793</b>	<b>1 033</b>	<b>431</b>	<b>2 257</b>	2 234

Leasing assets have been reclassified to vehicles in 2009.

	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>37. Contingent liabilities</b>		
The claim from the South African Revenue Services relating to an offshore company has been resolved		382
Subsidiaries have entered into buy-back agreements. The maximum exposure is R89 million. No material losses, other than those for which provision has been made in the financial statements, are anticipated as a result of these transactions	<b>89</b>	117
A subsidiary company has guaranteed loans provided to a Driver Empowerment Scheme for a maximum of R39 million	<b>39</b>	35
The company has issued a guarantee to the debenture and preference share funders of Lereko Mobility (Pty) Limited amounting to R78 million	<b>78</b>	
A subsidiary has pledged assets relating to the funders of discontinued operations amounting to R29 million	<b>29</b>	
A subsidiary has contingent liabilities in respect of suretyships issued to creditors amounting to R13 million	<b>13</b>	
Subsidiary companies have received summons for claims amounting to R8 million. The group and its legal advisors believe that these claims are unlikely to succeed.	<b>8</b>	61
Except for the above claims, there is no current or pending litigation that is considered likely to have a material adverse effect on the group.		

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED...

for the year ended 30 June 2009

## 38. Related party transactions

### *Related party transactions*

The company has no holding company. Subsidiaries, associates, joint ventures, and the group pension and provident funds are considered to be related parties. During the year the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. These transactions occurred under terms that are no less favourable than those arranged with third parties.

### *Interest of directors in contracts*

The directors have confirmed that they were not interested in any material transaction of any significance with the company or any of its subsidiaries. Accordingly, a conflict of interest with regard to directors' interest in contracts does not exist.

### *Subsidiaries*

Details of interests in principal subsidiaries are disclosed in Annexure A.

### *Shareholders*

The principal shareholders of the company are detailed in the analysis of shareholders schedule on page 36 of the annual report.

A director has shareholdings in certain subsidiaries and receives dividends.

### *Associates and joint ventures*

Details of investments in principal associates and joint ventures are disclosed in Annexure B.

Details of revenue derived from associates and joint ventures are outlined in note 27.2.

	<b>2009</b>	2008
	<b>Rm</b>	Rm
Purchase of goods and services from associates and joint ventures	<b>403</b>	736
Management fees received from associates and joint ventures	<b>1</b>	1

### *Key management personnel*

Key management personnel are directors and those executives having authority and responsibility for planning, directing and controlling the activities of the group.

The group has many different operations, retail outlets and service centres where the group staff may be transacting.

Often these transactions are minor and are difficult to monitor. Key management have to report any transactions with the group in excess of R100 000. The total value of goods and services supplied to or from key management on an arm's length basis amounted to R19 million (2008: R17 million).

The group received insurance premiums on an arm's length basis from the group pension and provident funds to the amount of R49 million (2008: R89 million).

The group pays for legal services on an arm's length basis to a firm of attorneys in which a director of the company has an interest, amounting to R13 million (2008: R9 million).

Key management personnel remuneration comprises:

Non-executive directors' fees	<b>3</b>	1
Short-term employee benefits	<b>569</b>	555
Long-term employee benefits	<b>43</b>	41
Termination benefits	<b>6</b>	2
	<b>621</b>	599

Number of key management personnel	<b>505</b>	484
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The gains on share options amounted to RNil million (2008: R20 million).

## 39. Financial instruments

### *Financial risk factors*

The group's treasury activities are aligned to the company's decentralised business model and the Asset and Liability Committee's (ALCO) strategies. The ALCO is a board subcommittee responsible for implementing best practice asset and liability risk management with its main objectives being the management of liquidity, interest rate, price and foreign exchange risk. The ALCO meets every quarter and follows a comprehensive risk management process. The treasury implements the ALCO risk management policies and directives and provides financial risk management services to the various divisional businesses, coordinates access to domestic and international financial markets for bank as well as debt capital markets funding. The treasury monitors and manages the financial risks relating to the operations of the group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The day-to-day management of foreign exchange risk and credit risk is performed on a decentralised basis by the various business units within the group's hedging policies and guidelines.

The group's objectives, policies and processes for measuring and managing these risks are detailed below.

The group seeks to minimise the effects of these risks by matching assets and liabilities as far as possible or by using derivative financial instruments to hedge these risk exposures.

The group does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes. The group enters into financial instruments to manage and reduce the possible adverse impact on earnings from changes in interest rates and foreign exchange rates.

### **MARKET RISK**

This is the risk that changes in the general market conditions, such as foreign exchange rates, interest rates, commodity prices and equity prices, may adversely impact on the group's earnings, assets, liabilities and capital.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices.

### **CURRENCY RISK**

This is the risk of losses arising from the effects of adverse movements in exchange rates on net foreign currency asset or liability positions.

The group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. In order to manage these risks, the group may enter into hedging transactions, which make use of derivatives. Derivative instruments are used by the group for hedging purposes. Such instruments include forward exchange contracts and under specific ALCO authorisation, currency options.

The policy of the group is to maintain a fully covered foreign exchange risk position in respect of foreign currency commitments with a few exceptions authorised by the ALCO. Automotive spare parts may be settled in the spot markets and where specific South African Exchange Control authorisation has been obtained, up to 75% of forecast annual sales can be covered. The day-to-day management of foreign exchange risk is performed on a decentralised basis by the various business units within the group's hedging policies and guidelines. Trade-related import exposures are managed through the use of natural hedges arising from foreign assets as well as forward exchange contracts.

At the year end the settlement dates on open forward contracts ranged up to 12 months. The average exchange rates shown include the cost of forward cover. The amounts represent the net rand equivalent of commitments to purchase and sell foreign currencies, and have all been recorded at fair value.

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED...

for the year ended 30 June 2009

## 39. Financial instruments (continued)

### CURRENCY RISK (continued)

The group has entered into certain forward exchange contracts that relate to specific balance sheet items at 30 June and specific foreign commitments not yet due. The details of these contracts are as follows:

Foreign currency	Foreign amount (million)	Average exchange rate	Contract value Rm	Marked to market Rm
<b>2009</b>				
Imports				
US dollar	141	8,42	1 185	1 094
Euro	28	11,76	327	306
Pound sterling	2	13,41	22	22
Japanese yen	1 058	11,14	95	87
Other			198	221
			<b>1 827</b>	<b>1 730</b>
<b>2008</b>				
Imports				
US dollar	68	7,85	531	537
Euro	1	12,48	15	15
Pound sterling	1	15,33	15	16
Japanese yen	574	13,28	43	43
Other				1
			604	612
			<b>2009</b>	2008
			<b>Rm</b>	Rm
<b>Uncovered foreign currency exposure</b>				297

The majority of uncovered exposures in the prior year relate to euro-denominated transactions, where a liability had been raised. These amounts were fully covered by July 2008.

Fair value is calculated as the difference between the contracted value and the value to maturity. The fair value adjustments are included in trade receivables and payables.

The impact of a 1% devaluation of the rand on the uncovered foreign exposure will have a Nil (2008: R3 million) impact on the group after tax profits, and vice versa for a 1% appreciation of the rand. The translation impact of a 1% devaluation in the rand would have a R21 million (2008: R31 million) impact on group equity, and vice versa for a 1% appreciation of the rand.

The sensitivity of profits to changes in exchange rates is a result of foreign exchange gains/losses on translation of foreign denominated financial assets and liabilities translated at spot rate are offset by equivalent gains/losses in currency derivatives.

### Divisional currency risk

#### Logistics international

Currency risk exposure arises from the conclusion of transactions in currencies other than the functional currencies of operations in the Netherlands, Belgium, France, Germany, Poland and Sweden. All material exposures arising from transactions external to the group are covered by forward exchange contracts. Translation risk arises from the net investment in overseas businesses in the United Kingdom, Australia and Sweden. These translation exposures are recognised directly in equity through the translation reserve and only booked to the income statement when the subsidiary is sold. No net investment hedges are in place.

#### Logistics southern Africa

The risk in this division is modest with certain small transactions in foreign currencies, which result in foreign currency denominated debtors and creditors. In order to mitigate the risks which arise from this exposure, these items are settled immediately.

**39. Financial instruments** (continued)**Divisional currency risk** (continued)*Distributors*

The group's major currency exposure exists in this division. Risk exposures result from vehicles and aircraft being imported, and invoiced in foreign currency. Forward exchange contracts are used to hedge this exposure, up to 75% of motor vehicle forecast annual sales can be covered should it be deemed necessary. In addition, overseas businesses result in translation exposure, which is naturally hedged by the net asset position of those businesses.

*Motor dealerships*

Risk exposure is limited to translation risk for investments in dealerships in the United Kingdom and Sweden, operational cash flows in these dealerships are in the functional currencies of those countries, and exposure to currency risk results from translation into our presentation currency (ZAR). This division is also exposed to certain small transactions in foreign currencies, which result in foreign currency denominated creditors. In order to mitigate the risks which arise from this exposure, forward exchange contracts are taken to hedge this exposure.

*Insurance*

Risk exposures result from foreign operations as well as the division holding investments in foreign equities, which are administered by portfolio managers and monitored by an investment committee.

**INTEREST RATE RISK**

This is the risk that fluctuations in interest rates may adversely impact on the group's earnings, assets, liabilities and equity.

The group is exposed to interest rate risk as it borrows and places funds at both fixed and floating rates. The risk is managed by matching fixed and floating rate assets and liabilities wherever possible and to achieve a repricing profile in line with ALCO directives use is made of interest rate derivatives. The group analyses the impact on profit and loss of defined interest rate shifts – taking into consideration refinancing, renewal of existing positions, alternative financing and hedging.

The group's treasury follows a centralised cash management process including cash management systems across bank accounts in South Africa to minimise risk and interest costs. The group's offshore cash management is managed by the treasuries in Germany, the United Kingdom and the Netherlands. The interest rate profile of total borrowings is reflected in note 22.

The group has entered into interest rate derivative contracts that entitle it to either receive or pay interest at floating rates on notional principal amounts and oblige it to pay or receive interest at fixed rates on the same amounts.

The insurance division, in addition to its short-term deposits, has fixed rate investments, such as gilts and bonds. The risk is mitigated by the use of fund managers under the guidance of the Investment Committee, which has ultimate responsibility for the investment portfolio's risk profile and related decisions.

The group's remaining periods and notional principal amounts comprise the following interest rate swap instruments:

	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>Pay fixed receive floating</b>		
Less than one year	<b>1 800</b>	
One to five years	<b>1 000</b>	800
More than five years	<b>18</b>	18
<b>Pay floating receive fixed</b>		
Less than one year	<b>300</b>	
One to five years	<b>2 313</b>	2 613
More than five years		

The impact of a 1% increase in interest rates will have an annualised R26 million (2008: R14 million) effect on group after tax profit and equity.

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED...

for the year ended 30 June 2009

## 39. Financial instruments (continued)

### EQUITY PRICE RISK

The group is exposed to equity price risk as it holds equity securities, which are classified as either available for sale or held for trading.

The group disposed of its 23 564 456 shares in Eqstra Holdings Limited during the year. These shares were received when the Leasing and Capital Equipment division was unbundled from the group in May 2008, and was classified as available for sale.

The impact of a 1% increase in the equity index will have a R4 million (2008: R14 million) effect on group after tax profit and a R4 million (2008: R17 million) impact on equity.

### Divisional equity price risk: Insurance

The insurance division has reduced its exposure to equities to minimise the volatility that the equity price risk brings to the group income statement. The equity portfolio consists of high-quality securities. The risk is monitored by the Investment Committee reviewing performance of the portfolio taking cognisance of the group's risk appetite and cash requirements. The investment portfolios are well diversified and hedges are implemented when approved by the Investment Committee.

#### Short-term insurance

Risks arise from this division's investments in the equity markets. Portfolio managers are mandated to achieve maximum returns on investment portfolios in the short term. As such these investments are classified as held for trading and fair valued through profit or loss.

#### Life assurance

Risks arise from this division's investments in the equity markets. The nature of the life business is long-term. As such, portfolio managers are mandated to maintain liquidity in the portfolio on a long-term basis, and thus the equities are not traded with a view on short-term profit taking, but are monitored with a view to maintaining long-term liquidity over claims which may arise. The portfolios within this business are thus designated at fair value through profit or loss.

### CREDIT RISK

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Where needed, the group obtains appropriate collateral to mitigate risk. Counterparty credit limits are in place and are reviewed and approved by the respective subsidiary boards.

The carrying amount of financial assets represents the maximum credit exposure on 30 June 2009. None of the financial instruments below were given as collateral for any security provided.

The group only enters into long-term financial instruments with authorised financial institutions of high credit ratings assigned by international credit-rating agencies.

### Cash and cash equivalents

It is group policy to deposit short-term cash with reputable financial institutions with high credit ratings assigned by international credit-rating agencies.

### Trade accounts receivable

Trade accounts receivable consist of a large, widespread customer base. Group companies monitor the financial position of their customers on an ongoing basis. Creditworthiness of trade debtors is assessed when credit is first extended and is reviewed regularly thereafter. The granting of credit is controlled by the application of account limits. Where considered appropriate, use is made of credit guarantee insurance.

	<b>2009</b>	2008
	<b>Rm</b>	Rm
Trade and other receivables that are neither past due nor impaired	<b>3 893</b>	5 352

Included in the above are amounts for trade and other receivables which would have been past due, had the terms not been renegotiated, amounting to R142 million (2008: R91 million).

Based on past experience, the group believes that no impairment is necessary in respect of trade receivables not past due as the amount relates to customers that have a good track record with the group, and there has been no objective evidence to the contrary.

**39. Financial instruments** (continued)**CREDIT RISK** (continued)*Past due trade receivables*

Included in trade receivables are debtors which are past the original expected collection date (past due) at the reporting date. There has not, however, been a significant change in credit quality and the amounts are still considered recoverable. Those which are not considered to be recoverable have been included in the provision for doubtful debts below. A summarised age analysis of past debtors is set out below.

	<b>2009</b>	2008
	<b>Rm</b>	Rm
Less than 1 month	<b>924</b>	761
Between 1 – 3 months	<b>323</b>	341
More than 3 months	<b>117</b>	138
Past due more than 1 year	<b>39</b>	39
	<b>1 403</b>	1 279

The overdue debtor ageing profile above is considered typical of the various industries in which our businesses operate. Given the existing insurance cover and the nature of the related counterparties, these amounts are considered recoverable.

*Provision for doubtful debts for trade receivables*

Before these financial instruments can be impaired, they are evaluated for the possibility of any recovery, which includes an examination of the length of time they have been outstanding. Provision is made for bad debts on trade accounts receivable. Management does not consider that there is any material credit risk exposure not already covered by a bad debt provision.

There is no significant concentration of risk in respect of any particular customer or industry segment.

	<b>2009</b>	2008
	<b>Rm</b>	Rm
Provision for doubtful debts for trade receivables		
Set out below is a summary of the movement in the provision for doubtful debts for the year:		
Balance at beginning of year	<b>240</b>	328
Reclassified from (to) discontinued operations, subsidiaries sold and unbundled	<b>6</b>	(146)
Amounts reversed during the year	<b>(2)</b>	(6)
Increase in allowance recognised in profit or loss	<b>98</b>	62
Amounts written off during the year	<b>(24)</b>	2
<b>Balance at end of year</b>	<b>318</b>	240

**Loans receivable**

The group granted employees the right to purchase shares through a share incentive trust. The terms held that the company would lend these employees the funds to acquire shares in Imperial Holdings Limited, holding the shares as collateral for the debt. Due to share price depreciation, an impairment has been made. An additional impairment loss to the amount of R53 million (2008: R320 million) has been raised, resulting in R53 million (2008: R54 million) of interest not being recognised. The balance of the 2008 impairment, being R260 million, was charged to the income statement in both continuing and discontinued operations.

There are no amounts which are past due.

	<b>2009</b>	2008
	<b>Rm</b>	Rm
Allowance for impairment losses on share incentive trust receivable		
Set out below is a summary of the movement in the allowance for impairment losses for the year:		
Balance at beginning of year	<b>321</b>	1
Increase in allowance recognised in profit or loss	<b>53</b>	320
<b>Balance at end of year</b>	<b>374</b>	321

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED...

for the year ended 30 June 2009

## 39. Financial instruments (continued)

### CREDIT RISK (continued)

#### Divisional credit risk

##### *Logistics*

Risk exposures arise from the granting of credit to customers. The risk is managed by strict monitoring of credit terms. The risk is mitigated by stringent background checks on all new customers, as well as taking legal action against defaulting customers.

##### *Car rental*

Risk exposures arise from the granting of credit to customers. Credit is granted to corporate clients after credit checks have been performed. The division maintains credit limits for these clients, which are reviewed periodically. Monthly collections are performed on outstanding amounts. Credit risk is minimised as credit is not usually granted to individual clients.

##### *Distributors*

Risk exposures arise from the supply of vehicles to external dealerships and customers. Where vehicles are supplied to external dealerships these are generally covered by a dealer floorplan with a bank, and will usually settle within credit terms, and exposure to credit risk is therefore minimised. When dealing with external customers, the vehicle is required to be fully financed before delivery, thereby mitigating credit risk to the division.

##### *Motor dealerships*

Risk exposures arise from the granting of credit to customers for parts and spares. The risk is managed by monthly review of debtors ageing. The risk is mitigated by stringent background checks and credit limits being imposed on all new customers, continuous review of credit limits, as well as taking legal action against defaulting customers. Where our dealerships are transacting with external customers, the vehicles are required to be fully financed before delivery, thereby mitigating credit risk to the division.

##### *Insurance*

Risk exposures arise from commission being paid to brokers up to 12 months in advance. The risk arises as the client may lapse a policy at any point during the period. The risk is monitored by the Credit Committee and is mitigated by vetting all brokers, as well as retaining a percentage of the commission.

#### Guarantees

Guarantees issued to bankers and others, on behalf of subsidiaries, for facilities, as well as guarantees to investors in commercial paper and corporate bond issues, are disclosed in note 13 to the company annual financial statements.

There were no guarantees provided by banks to secure financing during 2009 and 2008.

#### LIQUIDITY RISK

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The responsibility for liquidity risk management rests with the ALCO, which has built an appropriate liquidity risk management framework for the management of the group's short-, medium- and long-term funding requirements. The group accesses the corporate bond market to ensure that there is sufficient long-term funding within the funding mix together with long-term bank facilities.

The group manages liquidity risk by monitoring forecast cash flows in compliance with loan covenants and ensuring that adequate unutilised borrowing facilities are maintained. Unutilised borrowing facilities are reflected in note 22.

To avoid incurring interest on late payments, financial risk management policies and procedures are entrenched to ensure the timeous matching of orders placed with goods received notes or services acceptances and invoices.

**39. Financial instruments (continued)****LIQUIDITY RISK (continued)**

Contractual maturities (which includes interest) of financial liabilities are as follows:

	<b>Carrying amount Rm</b>	<b>Total contractual cash flows Rm</b>	<b>Less than one year Rm</b>	<b>One to five years Rm</b>	<b>More than five years Rm</b>
<b>2009</b>					
<b>Maturity profile of financial liabilities</b>					
Interest-bearing borrowings*	9 794	11 467	2 852	8 170	445
Insurance and investment contracts	1 356	1 356	604	328	424
Other non-current financial liabilities	157	157	13	144	
Trade payables and accruals	7 379	7 379	7 379		
Current derivative financial liabilities	119	119	119		
	<b>18 805</b>	<b>20 478</b>	<b>10 967</b>	<b>8 642</b>	<b>869</b>
<b>Percentage profile</b>	<b>100%</b>	<b>100%</b>	<b>54%</b>	<b>42%</b>	<b>4%</b>

\* This excludes the R441 million non-redeemable, non-participating preference shares (note 20).

**Fair value of financial instruments by category**

	<b>Carrying value 2009 Rm</b>	<b>Fair value 2009 Rm</b>	Carrying value 2008 Rm	Fair value 2008 Rm
<b>Financial assets</b>				
Other investments and loans				
– Designated as fair value through profit and loss (held for trading)	420	420	772	772
– Classified as held for trading (held for trading)	412	412	864	864
– Available for sale	9	9	308	308
– Loans and receivables at amortised cost	295	295	376	376
Other non-current financial assets				
– Derivative instruments – fair value through profit and loss			17	17
– Reinsurance debtors – held at amortised cost	203	203	313	313
Trade and other receivables				
– Derivative instruments – hedge accounted	22	22	9	9
– Trade receivables – amortised cost	5 296	5 296	6 631	6 631
Cash and cash equivalents	4 655	4 655	3 148	3 148
<b>Financial liabilities</b>				
Interest-bearing borrowings				
– Non-redeemable, non-participating preference shares	441	441	441	441
– Classified as held for trading	2 296	2 296	2 280	2 280
– Borrowings at amortised cost	7 498	7 434	9 319	9 065
Insurance and investment contracts				
– Insurance and investment contracts at amortised cost	1 356	1 356	1 535	1 535
Other non-current financial liabilities				
– Derivative instruments – fair value through profit and loss	108	108	98	98
– Contingent consideration – at amortised cost	49	49		
Trade and other payables				
– Derivative instruments	119	119	17	17
– Trade payables and accruals – amortised cost	7 379	7 379	8 272	8 272

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED...

for the year ended 30 June 2009

## 39. Financial instruments (continued)

### Fair value of financial instruments by category (continued)

The directors consider that the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximates their fair value due to the short-term maturities of these assets and liabilities.

The fair values of financial assets represent the market value of quoted investments and other traded instruments. For non-listed investments and other non-traded financial assets fair value is calculated using discounted cash flows with market assumptions, unless the carrying value is considered to approximate fair value.

The fair values of financial liabilities is determined by reference to quoted market prices for similar issues, where applicable, otherwise the carrying value approximates the fair value.

There were no defaults or breaches in terms of interest-bearing borrowings during either reporting periods.

There were no reclassifications of financial assets or financial liabilities that occurred during the period. There were no financial assets or liabilities that did not qualify for derecognition during the period.

### Financial instruments designated as fair value through profit or loss

	2009 Rm	2008 Rm
<b>Investments designated as fair value through profit or loss</b>		
Carrying value of investments designated as fair value through profit or loss	420	772
Maximum exposure to credit risk at reporting date	420	772
Included in the statement of changes in equity are the following adjustments relating to financial instruments:		
<b>Amounts included in the hedging reserve</b>		
Continuing operations		
– Effective portion of change in fair value of cash flow hedge	(88)	(13)
– Amount removed from equity on matured contracts	(53)	7
	(141)	(6)
Discontinued operations		
– Hedging reserve movement		(2)
<b>Total movement on hedging reserve</b>	<b>(141)</b>	<b>(8)</b>

## CAPITAL MANAGEMENT

The group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns and growth for shareholders and benefits for other stakeholders. The group maintains an appropriate mix of equity and equity like instruments and debt in order to optimise the weighted average cost of capital (WACC) within an appropriate risk profile. Capital allocation is evaluated against the expected and forecast return on invested capital against the appropriate WACC for that division or business.

The group has externally imposed capital requirements in terms of a debt covenant for a syndicated loan. The covenant requires the group to maintain a target net debt to earnings before interest, taxation, depreciation and amortisation (EBITDA) of below 3.5:1. The ratio at 30 June 2009 is 1.5:1 (2008: 2.2:1). Our insurance businesses have externally imposed regulatory capital requirements as set out in Annexure C.

Consistent with others in the industry, the group monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as interest-bearing borrowings less cash and cash equivalents. Total invested capital includes share capital and borrowings.

**39. Financial instruments** *(continued)***CAPITAL MANAGEMENT** *(continued)*

	<b>2009</b>	2008
	<b>Rm</b>	Rm
Interest-bearing borrowings*	<b>10 235</b>	12 040
Less: cash and cash equivalents	<b>4 655</b>	3 148
Net debt	<b>5 580</b>	8 892
<b>Total equity</b>	<b>10 361</b>	10 416
Gearing ratio	<b>53,9%</b>	85,4%

\* Includes R441 million non-redeemable, non-participating preference shares.

# COMPANY BALANCE SHEET

at 30 June

	Notes	2009 Rm	2008 Rm
<b>Assets</b>			
Interests in subsidiaries	2	6 881	7 561
Investments in associates and joint ventures	3	200	471
Investments	4	12	12
Trade and other receivables		13	16
<b>Total assets</b>		<b>7 106</b>	8 060
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	5	10	10
Other reserves		48	54
Retained earnings		6 288	7 326
<b>Total shareholders' equity</b>		<b>6 346</b>	7 390
<b>Liabilities</b>			
Deferred tax liability	6	137	137
Non-redeemable, non-participating preference shares	7	441	441
Trade and other payables		137	69
Current tax liability		45	23
<b>Total liabilities</b>		<b>760</b>	670
<b>Total equity and liabilities</b>		<b>7 106</b>	8 060

# COMPANY INCOME STATEMENT

for the year ended 30 June

	Notes	2009 Rm	2008 Rm
<b>Revenue</b>	8	<b>309</b>	986
Fair value loss on call option			(308)
Other operating expenses		<b>(1)</b>	(9)
Foreign exchange gain		<b>394</b>	174
Exceptional items	9	<b>(750)</b>	(529)
<b>(Loss) profit before net financing costs</b>		<b>(48)</b>	314
Interest paid	10	<b>(52)</b>	(51)
Interest income	10	<b>2</b>	1
<b>(Loss) profit before taxation</b>		<b>(98)</b>	264
Income tax expense	11	<b>172</b>	22
<b>Net attributable (loss) profit for the year</b>		<b>(270)</b>	242

# COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

	Share capital Rm	Share premium Rm	Other reserves Rm	Retained earnings Rm	Total Rm
<b>Balance at 25 June 2007</b>	10	866	344	8 049	<b>9 269</b>
Net attributable profit for the period				242	<b>242</b>
Capital distribution of 267,5 cents per preferred ordinary share in September 2007		(39)			<b>(39)</b>
Capital distribution of 280 cents per ordinary share in September 2007		(594)			<b>(594)</b>
Capital distribution of 267,5 cents per preferred ordinary share in March 2008		(39)			<b>(39)</b>
Share issues expenses		(1)			<b>(1)</b>
Unbundling distribution to shareholders		(193)	(52)	(965)	<b>(1 210)</b>
Fair value adjustment on call option			(238)		<b>(238)</b>
<b>Balance at 30 June 2008</b>	<b>10</b>		<b>54</b>	<b>7 326</b>	<b>7 390</b>
Net attributable loss for the year				(270)	<b>(270)</b>
Dividend of 245 cents per ordinary share in September 2008				(520)	<b>(520)</b>
Dividend of 80 cents per preferred ordinary share in March 2009				(170)	<b>(170)</b>
Dividend of 267,5 cents per preferred ordinary share in September 2008				(39)	<b>(39)</b>
Dividend of 267,5 cents per preferred ordinary share in March 2009				(39)	<b>(39)</b>
Fair value adjustment on call option			(6)		<b>(6)</b>
<b>Balance at 30 June 2009</b>	<b>10</b>		<b>48</b>	<b>6 288</b>	<b>6 346</b>

# COMPANY CASH FLOW STATEMENT

for the year ended 30 June

	Note	2009 Rm	2008 Rm
<b>Cash flows from operating activities</b>			
Cash generated by operations	14	773	1 123
Net financing costs		(50)	(50)
Income tax paid		(150)	(2)
		<b>573</b>	1 071
<b>Cash flows from investing activities</b>			
Disposal of investments in and loans to subsidiaries, associated companies and joint ventures, net of acquisitions		195	774
Disposals of investments			38
		<b>195</b>	812
<b>Cash flows from financing activities</b>			
Capital distributions			(673)
Eqstra unbundling distributions			(245)
Dividends paid		(768)	(965)
		<b>(768)</b>	(1 883)
Net change in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		-	-
<b>Cash and cash equivalents at end of year</b>		<b>-</b>	<b>-</b>

# NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2009

## 1. Accounting policies

### 1.1 Accounting policies, significant judgements and estimates and impact of new unissued standards

Please refer to notes 1 and 2 of the group annual financial statements.

### 1.2 Restatement of comparatives

The prior year comparatives of the cash flow statement has been amended to reallocate the foreign exchange gain from operating activities to investing activities.

	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>2. Interests in subsidiaries</b>		
	<b>4 775</b>	5 397
Shares at cost or valuation	<b>5 085</b>	5 397
Impairments of subsidiaries	<b>(310)</b>	
	<b>2 106</b>	2 164
Indebtedness by subsidiaries	<b>3 240</b>	2 164
Impairment of loans in subsidiaries	<b>(1 134)</b>	
	<b>6 881</b>	7 561
Details of the company's principal subsidiaries are reflected in Annexure A.		
<b>3. Investments in associates and joint ventures</b>		
Unlisted shares at cost	<b>133</b>	125
Impairments	<b>(12)</b>	(12)
	<b>121</b>	113
Indebtedness by associates and joint ventures	<b>14</b>	287
Lereko call option	<b>65</b>	71
	<b>200</b>	471
<b>Valuation of shares in associates and joint ventures</b>		
Unlisted shares at directors' valuation	<b>329</b>	135
Details of the group's associates and joint ventures are reflected in Annexure B.		
The directors' valuation has been established by reference to the group's share of net assets of the associates and joint ventures.		
<b>Lereko call option asset</b>		
Balance at beginning of the year	<b>71</b>	669
Fair value adjustment	<b>(6)</b>	(546)
Eqstra unbundling		(52)
<b>Balance at end of year</b>	<b>65</b>	71
In terms of the black empowerment transaction concluded with Lereko Mobility in June 2005, Lereko Mobility acquired 14 516 617 preferred ordinary shares in Imperial. Imperial facilitated the transaction with vendor finance by issuing preferred ordinary shares at their par value of 4 cents. This discount had a value of R600 million. This entitles Imperial to a call option from the company for a sufficient number of Imperial's shares to be delivered on 15 June 2014 to settle this amount plus a return.		
<b>4. Investments</b>		
Unlisted shares at fair value and available for sale	<b>12</b>	12

	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>5. Share capital</b>		
<b>Authorised share capital</b>		
394 999 000 (2008: 394 999 000) ordinary shares of 4 cents each	<b>15</b>	15
50 000 000 (2008: 50 000 000) deferred ordinary shares of 4 cents each	<b>2</b>	2
15 000 000 (2008: 15 000 000) preferred ordinary shares of 4 cents each	<b>1</b>	1
1 000 (2008: 1 000) redeemable preference shares of 4 cents each		
40 000 000 (2008: 40 000 000) non-redeemable, non-participating preference shares of 4 cents each	<b>2</b>	2
	<b>20</b>	20
<b>Issued share capital</b>		
212 129 870 (2008: 212 129 870) ordinary shares of 4 cents each	<b>8</b>	8
16 781 968 (2008: 16 781 968) deferred ordinary shares of 4 cents each	<b>1</b>	1
14 516 617 (2008: 14 516 617) preferred ordinary shares of 4 cents each	<b>1</b>	1
4 540 041 (2008: 4 540 041) non-redeemable, non-participating preference shares of 4 cents each (refer to note 7)		
	<b>10</b>	10
Refer to note 17 of the group annual financial statements for further details regarding the deferred ordinary shares, the preferred ordinary shares, the share schemes and directors' interest in share capital.		
<b>6. Deferred tax liability</b>		
<b>Movement in deferred tax</b>		
Balance at beginning of year	<b>137</b>	117
Tax rate adjustment		(4)
Capital gains		24
<b>Balance at end of year</b>	<b>137</b>	137
<b>Analysis of deferred tax</b>		
– Capital gains	<b>137</b>	137
<b>7. Non-redeemable, non-participating preference shares</b>		
Non-redeemable, non-participating preference shares	<b>441</b>	441
4 540 041 preference shares were issued during the 2007 financial year and are listed on the JSE under specialist securities – preference shares sector.		
These shares are entitled to a preference dividend being 75% of the prime interest rate. The company is obligated to pay any arrear dividends within five years from the proceeds raised by issuing new ordinary shares within six months prior to such payment. Because of the cumulative nature of these preference shares they are classified as debt with no repayment terms.		
The coupon is payable semi-annually in March and September and this amounts to R52 million (2008: R51 million) based on current rates of interest.		
<b>8. Revenue</b>		
An analysis of the company's revenue is as follows:		
Dividends from subsidiaries	<b>309</b>	982
Preference dividends received		4
	<b>309</b>	986

**NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED...**  
for the year ended 30 June 2009

	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>9. Exceptional items</b>		
Profit on sale/unbundling of subsidiaries and businesses	<b>58</b>	65
Profit on the sale of Tourvest	<b>637</b>	
Write-down of investments in subsidiaries, loans to subsidiaries and associates	<b>(1 444)</b>	(594)
	<b>(750)</b>	(529)
<b>10. Net financing cost</b>		
Interest paid	<b>52</b>	51
Finance income	<b>(2)</b>	(1)
	<b>50</b>	50
<b>11. Taxation</b>		
<b>Taxation charge</b>		
South African normal taxation		
– Current	<b>1</b>	
– Prior year underprovision	<b>63</b>	2
Deferred		
– Tax rate adjustment		(4)
– Capital gains		24
Current capital gains	<b>46</b>	
Secondary tax on companies	<b>62</b>	
	<b>172</b>	22
<b>Reconciliation of tax rates</b>	<b>%</b>	<b>%</b>
Profit before taxation – effective rate	<b>(173,7)</b>	8,3
Taxation effect of:		
– Secondary tax on companies	<b>63,5</b>	
– Disallowable charges	<b>425,4</b>	(67,6)
– Exempt income	<b>(396,8)</b>	111,6
– Fair value adjustment on call option		(32,7)
– Capital gains	<b>46,0</b>	9,1
– Tax rate adjustment		(1,5)
– Prior year underprovision	<b>63,7</b>	0,8
	<b>28,0</b>	28,0
<b>12. Dividends and other distributions</b>		
Refer to note 33 of the group annual financial statements.		

	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>13. Contingent liabilities</b>		
The company has contingent liabilities in respect of guarantees issued to bankers and others, on behalf of subsidiaries, for facilities in the normal course of business to the extent that they are used. The year-end utilisation of facilities were:	<b>323</b>	928
Claim from the South African Revenue Services relating to an offshore company. This claim has been resolved.		382
The company has guaranteed the obligations to investors in the commercial paper and corporate bond issues.	<b>8 637</b>	9 305
<b>14. Cash generated by operations</b>		
(Loss) profit before net financing costs	<b>(48)</b>	314
Exceptional items	<b>750</b>	529
Fair value adjustment on call option		308
Working capital movements		
– Decrease (increase) in accounts receivable	<b>3</b>	(5)
– Increase (decrease) in accounts payable	<b>68</b>	(23)
	<b>773</b>	1 123

# ANNEXURE A

## INTEREST IN PRINCIPAL SUBSIDIARIES

### Interest in principal subsidiaries

Company	Nature of business	Place of incorporation	Interest owned directly or indirectly %	Ordinary shares in issue	Book value of interest			
					Shares at cost less impairments		Indebtedness less impairments	
					2009 Rm	2008 Rm	2009 Rm	2008 Rm
Imperial Mobility International BV	Note 2	Netherlands	100	150 188	<b>1 376</b>	1 787		
Imperial Group (Pty) Limited	Note 3	South Africa	100	165	<b>1 400</b>	1 400	<b>928</b>	881
Associated Motor Holdings (Pty) Limited	Note 4	South Africa	90	500 000	<b>46</b>	46		
Imperial Financial Holdings Limited	Banking	South Africa	100	255 000 000	<b>251</b>	251	<b>236</b>	38
Regent Insurance Company Limited	Insurance	South Africa	100	2 939 800	<b>456</b>	206		
Regent Life Assurance Company Limited	Life insurance	South Africa	100	2 125 000	<b>145</b>	145		
Imperial Capital Limited	Note 5	South Africa	100	100				
Imperilog Limited	Note 6	South Africa	100	51 015 305	<b>102</b>	160		
Boundlesstrade 154 (Pty) Limited	Note 7	South Africa	81	200	<b>68</b>	68		
Jurgens Ci (Pty) Limited	Note 8	South Africa	100	1 000	<b>96</b>	133		
Alert Engine Parts (Pty) Limited	Note 9	South Africa	100	7 500	<b>88</b>	88		
Other, including indirect interest					<b>747</b>	1 113	<b>942</b>	1 245
					<b>4 775</b>	5 397	<b>2 106</b>	2 164

1. General information in respect of subsidiaries as required in terms of paragraph 69 and 70 of the Fourth schedule to the Companies Act is set out in respect of only those subsidiaries, the financial position of which is material for a proper appreciation of the affairs of the group. A full list of subsidiaries and associated companies is available on request at the company's registered offices.
2. Business conducted by Imperial Mobility International BV comprises integrated logistics solutions and vehicle sales.
3. Business conducted by Imperial Group (Pty) Limited comprises vehicle rental, motor trading, tourism, automotive components, property investments, transportation, sale of motor components, panelbeating and group services.
4. Business conducted by Associated Motor Holdings (Pty) Limited comprises motor vehicle importation, dealership sales and after-sales services.
5. Imperial Capital Limited owns and finances assets to group companies.
6. Business conducted by Imperilog Limited comprises transport logistics.
7. Boundlesstrade 154 (Pty) Limited consists of a group of motor vehicle dealerships.
8. Jurgens Ci (Pty) Limited is the manufacturer and distributor of leisure caravans and camping equipment.
9. Alert Engine Parts (Pty) Limited is a wholesaler and retailer of motor vehicle engine parts.

## Held by subsidiaries of Imperial Holdings

Company	Nature of business	Place of incorporation	Interest owned directly or indirectly %	Ordinary shares in issue	Book value of interest			
					Shares at cost		Indebtedness	
					2009 Rm	2008 Rm	2009 Rm	2008 Rm
<b>Principal subsidiaries of Imperial</b>								
<b>Mobility International BV</b>								
Imperial Logistics International GmbH	Note 2	Germany	94,8	4	<b>1 494</b>	1 425		
Imperial Mobility Finance Belgium GCV	Note 6	Belgium	100	81 800 000	<b>890</b>			
Imperial Mobility UK Co	Note 1	United Kingdom	100	103	<b>334</b>	439		
Wijgula	Note 2	Netherlands	100	73 440	<b>229</b>	259		
Associated Motors Australia (Pty) Limited	Note 3	Australia	90	81	<b>224</b>	197		
Imperial Mobility Deutschland Beteiligungs GmbH	Note 6	Germany	100	1	<b>193</b>	219		
Rijnaarde B.V.	Note 2	Netherlands	100	10 000	<b>66</b>	75		
Imperial De Grave	Note 2	Netherlands	100	5 000	<b>40</b>	67		
<b>Principal subsidiaries of Associated Motor Holdings</b>								
Hyundai Auto South Africa (Pty) Limited	Note 4	South Africa	100	1 000	<b>100</b>	100		
Imperial Car Imports (Pty) Limited	Note 4	South Africa	100	10 000	<b>6</b>	6	<b>23</b>	
Imperial Daihatsu (Pty) Limited	Note 4	South Africa	99,9	10 000 000	<b>11</b>	11	<b>195</b>	227
Kia Motors SA (Pty) Limited	Note 4	South Africa	100	25 000			<b>107</b>	268
KMSA Holdings (Pty) Limited	Note 5	South Africa	75	10 000	<b>4</b>	4	<b>72</b>	72

1. Engaged in commercial vehicle sales and after-sales services.
2. Engaged in transport and logistics.
3. Engaged in dealership sales and after-sales services.
4. Importer and retailer of motor vehicles, parts and accessories and after-sales services.
5. Importer and retailer of motor cycles, parts and accessories and after-sales services.
6. Financing.

## Material acquisitions

During the financial year under review, the group did not make any individual acquisitions that are considered material to the group results. The following amounts are disclosed:

	Purchase consideration Rm	Fair value of net assets acquired Rm	Goodwill Rm	Contribution since acquisition	
				Revenue Rm	Profit before tax Rm
Total of material acquisitions	<b>263</b>	<b>148</b>	<b>115</b>	<b>564</b>	<b>48</b>

## ANNEXURE B

### INTEREST IN PRINCIPAL ASSOCIATED COMPANIES AND JOINT VENTURES

Company	Nature of business	Place of incorporation	Carrying value (including loans)		% owned	
			2009 Rm	2008 Rm	2009 %	2008 %
<b>Associates</b>						
Imperial Bank Limited	Financial service provider	Republic of South Africa	<b>1 677</b>	1 356	<b>49,9</b>	49,9
Lereko Mobility (Pty) Limited	Investment company	Republic of South Africa	<b>65</b>	71	<b>49,0</b>	49,0
Renault South Africa (Pty) Limited	Vehicle distributor	Republic of South Africa	<b>92</b>	23	<b>49,0</b>	49,0
Fuellogic (Pty) Limited	Logistics	Republic of South Africa	<b>62</b>	92	<b>46,5</b>	46,5
Ukhamba Holdings (Pty) Limited	Investment company	Republic of South Africa	<b>183</b>	208	<b>46,9</b>	46,9
Accordian Investments (Pty) Limited	Vehicle distributor	Republic of South Africa	<b>12</b>	41	<b>40,0</b>	40,0
Flagstone Reinsurance Africa Limited	Re-insurance	Republic of South Africa	<b>72</b>	73	<b>35,0</b>	35,0
Other associates			<b>141</b>	126		
<b>Joint ventures</b>			<b>30</b>	27		
			<b>2 334</b>	2 017		
Reclassified to associate held for sale			<b>1 544</b>			
			<b>790</b>	2 017		

## ANNEXURE C

# ADDITIONAL INFORMATION ON INSURANCE BUSINESSES

### 1. Accounting policies

These accounting policies form part of the group accounting policies in note 1 to the group annual financial statements.

#### *Insurance and investment contracts*

##### **Long-term insurance operations**

The long-term insurance operations issue contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

Insurance contracts are classified into individual credit life contracts, individual life contracts, group funeral, group life and group credit life contracts.

All policyholder contracts that transfer significant insurance risk are classified as insurance contracts. These contracts are valued in terms of the Financial Soundness Valuation (FSV) basis contained in PGN 104 issued by the Actuarial Society of South Africa.

The statutory actuary calculates the liabilities under long-term insurance contracts and investment contracts annually at the balance sheet date in accordance with prevailing legislation, Generally Accepted Actuarial Standards in South Africa and International Financial Reporting Standards as appropriate. The transfers to or from insurance liabilities in the income statement represent the increase or decrease in contract liabilities, including all necessary provisions and reserves.

The Financial Soundness Valuation basis requires at each balance sheet date that liability adequacy tests are performed to ensure the adequacy of the contract liabilities. The liabilities for investment contracts are set equal to the accumulated fair value of the underlying assets. Any deficiency is immediately charged to profit and loss and a provision is raised for losses from the liability adequacy tests.

Policyholder contracts that do not transfer significant insurance risk are classified as investment contracts. Investment contracts are initially and thereafter recognised at fair value, with changes in fair value being accounted for in the income statement. The premiums and benefit payments relating to these investment contracts have been excluded from the income statement and accounted for directly as movements in the liability.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception, if insurance risk becomes significant.

##### **Short-term insurance operations**

Contracts under which the short-term insurance operations accept significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder, or other beneficiary, are classified as insurance contracts. Insurance risk is risk other than financial risk, transferred from the holder of the contract to the issuer. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variables. Insurance contracts may also transfer some financial risk.

#### *Reinsurance of long-term and short-term insurance operations*

Contracts entered into with reinsurers by the long-term and short-term operations, under which the group is compensated for losses on one or more contracts, and which meet the classification requirements for insurance contracts, are classified as reinsurance contracts held.

The benefits to which the long-term and short-term operations are entitled under their reinsurance contracts held are recognised as reinsurance assets, consisting of short-term and long-term balances due from reinsurers that are dependent on the expected claims and benefits. Reinsurance liabilities are primarily premiums payable and are recognised as an expense when due. Reinsurance assets are assessed for impairment on an annual basis, reducing the carrying amount of the reinsurance asset to its recoverable amount through the income statement.

#### *Insurance results*

##### **Long-term insurance operations**

Profits or losses are determined in accordance with the guidance note on Financial Soundness Valuations (PGN 104) and International Financial Reporting Standards. The underlying philosophy of the Financial Soundness Valuation is to recognise profits prudently over the term of each insurance contract. In the valuation of liabilities, provision is made for:

- The best estimate of future experience;
- Compulsory margins prescribed in the Long-term Insurance Act, 1998; and
- Discretionary margins determined to release profits to shareholders consistent with policy design and company policy.

## ANNEXURE C

### ADDITIONAL INFORMATION ON INSURANCE BUSINESSES CONTINUED...

#### **Short-term insurance operations**

The underwriting results are determined after making provisions for unearned premiums, outstanding claims, incurred but not reported claims, unexpired risk provision and such additional provisions as are considered necessary. The methods used to determine these provisions are as follows:

##### *Unearned premiums*

Premiums are earned from the date the risk attaches, over the indemnity period, based on the pattern of the risk underwritten. Unearned premiums, which represent the proportion of premiums written in the current year which relate to risks that have not expired by the end of the financial year, are calculated on the 365th basis for even risk business and other bases that best represent the unearned risk profile for uneven risk business.

##### *Claims*

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. Claims outstanding comprise provisions for the estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date whether reported or not, and an appropriate risk margin. Related anticipated reinsurance recoveries are disclosed separately as assets. These estimated reinsurance and other recoveries are assessed in a manner similar to the assessment of claims outstanding.

Whilst the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used to value these provisions, and the estimates made, are reviewed regularly.

##### *IBNR*

These are calculated on both a best estimate and 75th percentile trend to be consistent with the proposed Financial Condition Reporting requirements.

##### *Unexpired risk provision*

Provision is made for unexpired risks arising to the extent that the expected value of claims and claims handling expenses attributable to the unexpired periods of contracts in force at the balance sheet date exceeds the unearned premiums provision in relation to such contracts after the deduction of any deferred acquisition costs.

##### *Deferred acquisition costs*

The costs of acquiring new and renewal insurance business that is commission and other acquisition costs, primarily related to the products of that business, are deferred. Deferred acquisition costs are amortised on a pro-rata basis over the contract term. Similarly, any reinsurance commissions received are deferred and recognised as income over the term of the reinsurance contract.

#### **Revenue recognition**

##### *Long-term insurance operations*

Premiums and annuity considerations on insurance contracts are recognised when due in terms of the contract, other than group schemes. Premiums receivable in respect of group schemes are recognised when there is reasonable assurance of collection in terms of the policy contract. Premium income on insurance contracts is shown gross of reinsurance. Premiums are shown before deduction of commission. Premium income received in advance is included in Trade and other payables. Amounts received under investment contracts, such as premiums, are recorded as deposits to investment contract liabilities.

##### *Short-term insurance operations*

Gross written premiums comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude Value Added Tax. Premiums written include adjustments to premiums written in the prior accounting periods and estimates for pipeline premiums (premiums written relating to current accounting period but not reported by the balance sheet date). The earned portion of the premium received is released from the unearned premium provision. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten.

#### **Contingency reserve**

##### *Short-term insurance operations*

The statutory contingency reserve is created in accordance with the provisions of the Short-term Insurance Act, 1998, of South Africa. Withdrawals from this reserve may only be made with the consent of the Registrar of Short-term Insurance. The annual adjustment to the reserve account for premium increases or decreases during the year is reflected as an appropriation to or from distributable reserves.

##### *Cell captives*

The group operates cell captives on behalf of entities that wish to participate in the insurance result of a particular category of insured risk. Preference shares are issued to those participants giving them the right to share in profits on an agreed basis. To reflect the substance of the transaction it is consolidated and the participants share of profits is treated as a minority interest.

	2009 Rm	2008 Rm
<b>2. Other investments and loans</b> (note 11 to the group annual financial statements)		
<b>2.1 Financial assets held at fair value</b>		
Balance at beginning of year	1 635	1 844
Additions	1 123	1 895
Disposals	(1 787)	(2 121)
Fair value adjustment	(138)	17
<b>Balance at end of year</b>	<b>833</b>	1 635
<b>2.2 Reconciliation to group annual financial statements</b>		
Financial assets at fair value – insurance businesses	833	1 635
Financial assets at fair value – other operations	8	309
	<b>841</b>	1 944
<b>3. Insurance assets and liabilities</b>		
<b>3.1 Liabilities under insurance contracts</b>		
<b>Short-term operations</b>		
Outstanding claims, including claims incurred but not reported		
– Balance at beginning of year	706	680
– Claims settled in the year	(1 328)	(1 263)
– Increase in liabilities	1 247	1 289
<b>Balance at end of year</b>	<b>625</b>	706
Outstanding claims	465	563
Incurred but not reported	160	143
<b>Balance at end of year</b>	<b>625</b>	706
This amount is reflected in trade and other payables		
<b>3.2 Unearned premium provision</b>		
Balance at beginning of year	742	792
Premiums written during the year	2 149	1 953
Premiums earned during the year	(2 228)	(2 003)
<b>Balance at end of year</b>	<b>663</b>	742
<b>3.3 Long-term operations</b>		
Balance at beginning of year	722	891
Transfer to income statement	(109)	(160)
Arising from translation of foreign liabilities	(3)	(9)
<b>Balance at end of year</b>	<b>610</b>	722

***Process used to decide on long-term insurance assumptions***

The business was divided up into homogeneous groupings and then each grouping was analysed. Best estimate assumptions were then derived based on these experience investigations. Where data was limited, market statistics were used. Recent trends evident in the data were allowed for.

The value of insurance liabilities is based on best estimate assumptions of future experience plus compulsory margins as required in terms of PGN 104, plus additional discretionary margins determined by the statutory actuary.

## ANNEXURE C

### ADDITIONAL INFORMATION ON INSURANCE BUSINESSES CONTINUED...

#### 3. Insurance assets and liabilities (continued)

The compulsory margins are summarised as follows:

Assumption	Compulsory margin
Investment earnings	0,25% increase or decrease in investment earnings rate depending on which gives the higher liability
Expense inflation	10% loading i.e. 1,1 times the expense inflation assumption used
Mortality	Assumption was increased by 7,5% i.e. 1,075 times the relevant mortality rate
Morbidity	Assumption was increased by 10% i.e. 1,1 times the relevant mortality rate. For dread disease the margin is 15%
Retrenchment	Assumption was increased by 20% i.e. 1,2 times the relevant retrenchment rate
Lapses	25% increase or decrease in lapse rates depending on which gives the higher liability i.e. multiply by 1,25 or 0,75
Surrenders	10% increase or decrease in surrender rates depending on which gives the higher liability i.e. multiply by 1,1 or 0,9
Expenses	10% loading i.e. 1,1 times the expense assumption used

In addition to the above compulsory margins the following additional discretionary margins were incorporated:

Retrenchment	An additional 30% margin was added
Expenses	Individual Life has an additional 10% discretionary margin
Extended lives mortality	An additional 7,5% margin was added
All other decrements	For credit life an additional 10% margin was added

Negative reserves were recognised in full.

The specific process of deriving the best estimate assumptions relating to future mortality, morbidity, medical, withdrawals, investment returns, maintenance expenses, expense inflation and tax are described below:

##### a) Mortality

Adjusted standard assured lives and annuity tables were used to reflect the group's recent claims experience. The adjustments are based on annual mortality investigations conducted into the different classes of business and also allow for the expected increase in AIDS related claims. The allowance for AIDS is based on the relevant actuarial guidance notes as provided by the Actuarial Society of South Africa (ASSA).

##### b) Morbidity

Disability and dread disease rates are based on standard morbidity tables and where appropriate, adjusted to reflect the group's recent claims experience. Adjustments made are based on investigations conducted once a year.

##### c) Medical and retrenchment

The incidence of medical and retrenchment claims is derived from the risk premium rates determined from annual investigations. The incidence rates are reviewed on an annual basis, based on claims experience. The adjusted rates are intended to reflect future expected experience.

##### d) Withdrawal

The withdrawal assumptions are based on the most recent withdrawal investigations taking into account past as well as expected future trends. The withdrawal investigation is performed each year and incorporates ten months' experience. The withdrawal rates are analysed by class and policy duration. These withdrawal rates vary by duration, distribution channel, product type and company. Typically the rates are higher at early durations.

##### e) Investment returns

Separate investment returns were derived for the annuity and non-annuity business. Furthermore, for the non-annuity business, separate interest rates were determined for Individual Life and Credit Life classes of business. The returns were based on the current bond yields of appropriate term and long-term differentials between bonds, cash and equities. The assumptions were based on the long-term rates and notional matched portfolio of assets. Allowance was made for mismatches.

The long-term investment returns (before compulsory margins) are as follows:

Credit life single premium business:	6,97% (2008: 10,9%)
Credit life regular premium business:	8,37% (2008: 10,9%)
Individual life:	8,65% (2008: 10,9%)
Annuity business:	9,16% (2008: 10,5%)

### 3. Insurance assets and liabilities (continued)

#### f) Renewal expenses and inflation

A detailed expense investigation was undertaken and the expenses were split by line of business and between new business and maintenance expenses.

The maintenance expenses were adjusted for expected inflation in the future and spread over the anticipated volumes of business over the next year to derive a per policy expense for each class. The expenses allocated to new business are expected to be covered by future new business written.

#### g) Tax

The interest assumptions are net of any tax payable by the group. Note that currently the group is in an excess expense tax position in its policyholder funds and no tax is payable on investment income. Interest rates are net of any capital gains tax.

#### Change in assumptions

The following changes were made to the Published Reporting valuation basis. All assumptions include compulsory margins.

For South Africa, the economic assumptions were reviewed to reflect the current economic environment, as follows:

- The discount rate for credit life business was reduced from 10,65% to 8,62%. The discount rate for individual life and mortgage business was reduced from 10,65% to 8,40%. The discount rate for the disability annuitant business was reduced from 10,25% to 8,91%.
- The loan interest rate for credit life and mortgage business was reduced from 17,75% to 13,75% per annum.
- Expense inflation for all business was reduced from 9,46% to 6,99%.
- The assumed rate of pension increases for the disability annuity business was reduced from 8,78% to 6,51% per annum.

As a result of these economic changes, the actuarial liabilities reduced by R15,8 million.

The non-economic assumptions were also reviewed as follows:

- The death, permanent disability, temporary disability, retrenchment and AIDS assumptions were adjusted to reflect the recent claims experience. The combined effect resulted in a R14,8 million release in actuarial liabilities.
- Per policy expenses were amended to reflect the current and expected future experience. This resulted in a release in actuarial liabilities of R15,8 million.
- The withdrawal assumptions were adjusted to reflect the recent lapse experience. This resulted in a release in actuarial liabilities of R6,6 million.

As a result of these non-economic changes, the actuarial liabilities reduced by R37,2 million.

The overall impact of all the above changes was a reduction in the actuarial liabilities of R53 million.

Regarding Botswana, the value of liabilities as at 30 June 2009 reduced by P2,7 million as a result of changes to valuation assumptions.

The main assumption changes causing this release were as follows:

- The renewal expense assumptions were amended in the light of the most recent expense investigation. This resulted in a release of P2,1 million.
- The economic assumptions were amended to reflect the current economic environment. This resulted in a strain of P0,5 million.
- The withdrawal assumptions were amended to reflect the recent withdrawal experience. This resulted in a weakening of P0,2 million.
- The permanent disability, dread disease, temporary disability and mortality (including AIDS) assumptions were adjusted to reflect the recent claims experience. This resulted in a release of P0,9 million.

## ANNEXURE C

### ADDITIONAL INFORMATION ON INSURANCE BUSINESSES CONTINUED...

#### 3. Insurance assets and liabilities (continued)

##### Sensitivity analysis

The following table presents the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities.

Variable	Change in variable	Change in liability 2009 Rm	Change in liability 2008 Rm
Worsening of mortality	10% worse claims	32,1	38,4
Lowering of investment returns	15% lower returns	12,8	37,6
Worsening of base renewal expense level	10% higher expenses	17,5	14,9
Worsening of expense inflation	10% higher expenses	5,2	5
Worsening of lapse rate	25% higher withdrawals	6,5	1,2

The 2009 investment sensitivity resulted in a smaller impact compared with last year due to the run off of single premium business as well as the change in direction of the interest rate margin on the published basis for the monthly premium Credit Life business.

The above analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and the changes in some assumptions may be correlated – e.g. change in interest rate and change in market values.

	2009 Rm	2008 Rm
<b>3.4 Financial liabilities under investment contracts – long-term operations</b>		
Balance at beginning of year	71	39
Deposits	16	35
Payments	(4)	(3)
<b>Balance at end of year</b>	<b>83</b>	<b>71</b>
<b>3.5 Reconciliation to group annual financial statements</b>		
<b>Insurance and investment contracts</b> (note 23 to the group annual financial statements)		
Short-term operations – unearned premium provisions (See 3.2)	663	742
Long-term operations: Liabilities under insurance contracts (See 3.3)	610	722
Long-term operations: Liabilities under investment contracts (See 3.4)	83	71
	<b>1 356</b>	<b>1 535</b>
<b>3.6 Reinsurers' share of liabilities under insurance contracts</b> (note 12 to the group annual financial statements)		
Balance at beginning of year	313	542
Movement in reinsurer's share of insurance liabilities	(110)	(229)
<b>Balance at end of year</b>	<b>203</b>	<b>313</b>
<b>3.7 Insurance claims provisions</b> (note 25 to the group annual financial statements)		
Short-term operations – IBNR (See 3.1)	160	143
Long-term and other operations – outstanding claims provisions	71	82
	<b>231</b>	<b>225</b>

	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>4. Revenue</b>		
<b>(note 27 to the group annual financial statements)</b>		
<b>Premium income</b>		
Long-term operations		
Individual premium income		
– Single premiums	<b>256</b>	218
– Reinsurance	<b>(7)</b>	(3)
Net premium income	<b>249</b>	215
– Recurring premiums	<b>260</b>	138
– Reinsurance	<b>(19)</b>	(4)
Net premium income	<b>241</b>	134
Group life premium income		
– Recurring premiums	<b>143</b>	169
– Reinsurance	<b>(35)</b>	(34)
Net premium income	<b>108</b>	135
<b>Net premium income from long-term operations</b>	<b>598</b>	484
<b>Short-term and reinsurance operations</b>		
Gross premiums written	<b>2 008</b>	1 853
Outward reinsurance premiums/retrocession premiums	<b>(338)</b>	(326)
Net premium income from short-term and reinsurance operations	<b>1 670</b>	1 527
<b>Total net premium income</b>	<b>2 268</b>	2 011
<b>Total external gross premium income</b>	<b>2 667</b>	2 378

## 5. Management of insurance-specific risks

### *Insurance risk*

#### **Long-term insurance operations**

Insurance risk is the risk that future claims and expenses will exceed the premiums received to take on this risk.

It occurs due to the uncertainty of the timing and amount of future cash flows arising under insurance contracts. This could also occur because of the frequency or severity of claims and benefits being greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate using statistical techniques.

The long-term insurance operations use appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the group over the last three years is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. Termination statistics to investigate the deviation of actual termination experience against assumptions are used. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at the best estimate of future termination rates.

#### **Short-term operations**

The group underwrites risks that natural persons, corporates or other entities wish to transfer to an insurer. Such risks may relate to property, accident, personal accident, motor, engineering, marine, liability and aviation. As such the operation is exposed to uncertainty surrounding the timing, frequency and severity of claims under insurance contracts. The principal risk is that the frequency and/or severity of claims are greater than expected. Insurance events are by their nature random and the actual size and number of events in any one year may vary from those estimated and experienced in prior periods.

The group underwrites primarily short-tailed risks, that is, insurance under which claims are typically settled within one year of the occurrence of the events giving rise to the claims. Risks that are long-tailed in nature represent an insignificant portion of the group's insurance portfolio. Therefore the group's exposure at any time to insurance contracts issued more than one year before is limited.

## ANNEXURE C

# ADDITIONAL INFORMATION ON INSURANCE BUSINESSES CONTINUED...

### 5. Management of insurance-specific risks *(continued)*

#### **Capital adequacy and solvency risk**

##### **Long-term operations**

The capital adequacy requirement is determined according to generally accepted actuarial principles in terms of the guidelines issued by the Actuarial Society of South Africa. It is an estimate of the minimum capital that will be required to meet fairly substantial deviations from the main assumptions affecting the group's business. At 30 June 2009 the capital adequacy requirement is R72 million and the ratio of excess assets to capital adequacy requirements is 3,9 (2008: R120 million, capital adequacy ratio 2,9).

##### **Short-term operations**

The group submits quarterly and annual returns to the Financial Services Board that show the solvency position of its insurance operations. The group is required to maintain, at all times, a statutory surplus asset ratio and free assets after spreading limitations as defined in the Short-term Insurance Act, 1998 (the Act). The returns submitted by the company to the regulator showed that the company met the minimum capital requirements at the year-end date.

#### **Underwriting risk**

##### **Long-term insurance operations**

The Statutory Actuary reports annually on the actuarial soundness of the premium rates in use and the profitability of the business taking into consideration the reasonable benefit expectation of policyholders. All new rate tables are approved and authorised by the Statutory Actuary prior to being issued. Annual investigations into mortality and morbidity experience are conducted. All applications for risk cover in excess of specified limits are reviewed by experienced underwriters and evaluated against established standards. All risk-related liabilities in excess of specified monetary or impairment limits are reinsured.

##### **Short-term insurance operations**

The operation limits its exposure to insurance risk through setting a clearly defined underwriting strategy and limits, adopting appropriate risk assessment techniques and the reinsurance of risks that exceed its risk appetite. The underwriting strategy ensures diversification of insurance risk in terms of type and amount of risk covered, geographical location and type of industry covered. The strategy also aims to develop a sufficiently large population of risks to reduce the variability of the expected outcome. Ongoing review and analysis of underwriting information enables the group to monitor its risks and take timely corrective action.

#### **Regulatory risks**

Continuous legislation changes in the long-term and short-term environment may impact severely on the operational and financial structures within these businesses. The group has sufficient resources to address the impact of legislation timeously and efficiently.

During the development stage of any new product, rights and obligations of all parties are clearly defined in the contracts and documentation.

#### **Financial risk**

##### **Long-term insurance operations**

The group is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. Components of this financial risk are interest rate risk, equity price risk, currency risk and credit risk. An investment committee sets policies and receives monthly and quarterly reports on compliance with investment policies.

The long-term insurance operations manage these positions within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the ALM framework is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to policyholders.

##### **Short-term insurance operations**

The short-term operations are exposed to daily calls on its available cash resources from claims arising. Liabilities are matched by appropriate assets and the operations have significant liquid resources to cover its obligations.

**Catastrophic risk****Short-term insurance operations**

The operation sets out the total aggregate exposure that it is prepared to accept in certain territories to a range of events such as natural catastrophes. The aggregate position is reviewed annually. The group uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of the reinsurance programmes and the net exposure of the operations.

**Credit risk**

Fair values of financial assets may be affected by the creditworthiness of the issuer. Limits of exposure are set by the investment committee and are continuously monitored. Sales of products and services are made to customers with an appropriate credit history. The group has policies in place that limit the credit exposure to any institution and reputable reinsurers are used for the group's reinsurance treaties.

**Currency risk**

The operations have limited collective investment schemes invested offshore which is denominated in foreign currencies. The currency risk is not hedged as the investments are mainly made on behalf of shareholders for the purpose of obtaining a desirable international exposure in foreign currencies.

**6. Significant accounting judgments and estimates****Long-term insurance operations****Insurance liabilities in respect of long-term insurance contracts and investment contracts**

Valuation assumptions represent a best estimate. Compulsory margins are applied as required by the Long-term Insurance Act and discretionary margins may be applied as required by the valuation methodology or if the Statutory Actuary considers such margins necessary to cover the risks inherent in the contracts. The valuation of investment contracts is linked to the fair value of the supporting assets.

**Short-term insurance operations**

The estimation of the liability arising from claims under short-term insurance contracts is impacted on by several sources of uncertainty. The environment can change unexpectedly and the group is therefore constantly refining its short-term insurance risk management tools in order to assess risk appropriately.

A large proportion of the premium for warranty policies is used to fund up-front costs such as commissions and fees. The remainder of the premium needs to be deferred and recognised as income in line with the expiring risk profile of the policies. These multi-year policies often only become effective once a defined event has occurred, for example, after the motor manufacturers' warranty has expired.

The company uses a stochastic model to calculate the IBNR at 75% level of sufficiency. The methodology for the allocation of reserves is consistent with Regent's internal capital allocation model. Reserves are set at the 75th percentile level to be consistent with the proposed Financial Condition Reporting requirements.

## ANNEXURE D

### ANALYSIS OF THE GROUP'S BALANCE SHEET AND DEBT EXCLUDING IMPERIAL CAPITAL

	Imperial Holdings Limited 2009 Rm	Imperial Capital Limited 2009 Rm	Group excluding Imperial Capital Limited 2009 Rm
<b>Balance sheet</b>			
<b>Assets</b>			
Intangible assets	901		901
Investments in associates and joint ventures	790		790
Property, plant and equipment	5 976		5 976
Transport fleet	3 483	1 082	2 401
Vehicles for hire	1 653	1 198	455
Deferred tax assets	645		645
Other investments and loans	1 136		1 136
Other non-current financial assets	203		203
Inventories	5 592		5 592
Taxation in advance	154		154
Trade and other receivables	5 633	4	5 629
Cash resources	4 655		4 655
Assets classified as held for sale	950		950
Associate classified as held for sale	1 544		1 544
<b>Total assets</b>	<b>33 315</b>	<b>2 284</b>	<b>31 031</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	10		10
Shares repurchased	(1 816)		(1 816)
Other reserves	280		280
Retained earnings	11 300	381	10 919
Attributable to Imperial Holdings' shareholders	9 774	381	9 393
Minority interest	587		587
Total shareholders' equity	10 361	381	9 980
Subordinated interest-bearing debt due to group company		323	(323)
Revised equity	10 361	704	9 657

	Imperial Holdings Limited 2009 Rm	Imperial Capital Limited 2009 Rm	Group excluding Imperial Capital Limited 2009 Rm
<b>Balance sheet (continued)</b>			
<b>Liabilities</b>			
Non-redeemable, non-participating preference shares	441		441
Retirement benefit obligations	256		256
Interest-bearing borrowings	7 655	1 505	6 150
Insurance and investment contracts	1 356		1 356
Deferred tax liabilities	652	125	527
Other non-current financial liabilities	157	(5)	162
Due (by) to group companies		(187)	187
Provisions for liabilities and other charges	996		996
Trade and other payables	8 342	78	8 264
Current tax liabilities	501	30	471
Current portion of interest-bearing borrowings	2 139	34	2 105
Liabilities directly associated with assets classified as held for sale	459		459
<b>Total liabilities</b>	<b>22 954</b>	<b>1 580</b>	<b>21 374</b>
<b>Total equity and liabilities</b>	<b>33 315</b>	<b>2 284</b>	<b>31 031</b>
Total debt (including preference shares)	10 235	1 539	8 696
Less: Cash	4 655		4 655
	5 580	1 539	4 041
Less: 75% of preference shares	331		331
<b>Net debt as analysed by rating agencies</b>	<b>5 249</b>	<b>1 539</b>	<b>3 710</b>
Revised equity	10 361	704	9 657
Plus: preference shares	331		331
<b>Revised equity including 75% of preference shares</b>	<b>10 692</b>	<b>704</b>	<b>9 988</b>
Net debt to equity			
– Preference shares treated as debt	54%	219%	42%
– Preference shares treated as equity	49%	219%	37%

The amounts reflected as transport fleet and vehicles for hire by Imperial Capital Limited are shown as a finance lease receivable in their published annual financial statements.

# ANNEXURE E

## SUMMARY OF EMPLOYMENT EQUITY REPORT

	2009	2008
<b>Analysis of South African workforce only</b>		
Total workforce	28 835	35 274
Total employees with disabilities	150	125
<b>Workforce profile</b>		
Racial and gender profile		
– Non-designated group	5 281	6 178
– White females	3 551	4 569
– Black males	16 606	19 405
– Black females	3 397	5 122
	28 835	35 274
<b>Occupational level profile</b>		
– Management	2 921	3 914
– Non-management	25 914	31 360
	28 835	35 274
<b>Management profile by gender</b>		
– Males	2 041	2 636
– Females	880	1 278
	2 921	3 914
<b>Non-management profile by gender</b>		
– Males	19 845	22 947
– Females	6 069	8 413
	25 914	31 360
<b>Management profile by race</b>		
– Whites	2 313	2 905
– Designated groups	608	1 009
	2 921	3 914
<b>Non-management profile by race</b>		
– Africans	14 517	17 772
– Indians	1 491	1 710
– Coloureds	3 387	4 036
– Whites	6 519	7 842
	25 914	31 360
<b>Workforce movement</b>		
Total employees brought forward	35 274	37 402
– Resignations not replaced	(3 462)	(1 988)
– Dismissals	(1 362)	(1 474)
– Retirements	(249)	(165)
– Retrenchments	(1 164)	(624)
– Engagements	4 558	5 544
– Unbundling of the Leasing and Capital Equipment division		(3 421)
– Discontinued operations	(4 760)	
<b>Total employees at end of year</b>	<b>28 835</b>	<b>35 274</b>
<b>Summary of global workforce</b>		
– South African	28 835	35 274
– Non-South African	5 518	6 246
<b>Total workforce</b>	<b>34 353</b>	<b>41 520</b>



# IMPERIAL

## Imperial Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration number: 1946/021048/06)

ISIN: ZAE000067211

JSE share code: IPL

(Imperial or the Company)

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the twenty first annual general meeting of shareholders will be held on Tuesday, 3 November 2009 at 09:00 in the boardroom of Imperial Holdings Limited, Imperial Place, Jeppe Quondam, 79 Boeing Road East, Bedfordview, Gauteng to transact the following business and resolutions with or without amendments approved at the meeting:

*These minutes of the Annual General meeting held on 4 November 2008 will be available for inspection at the registered office of the Company until 16:00 on Monday, 2 November 2009 and 30 minutes immediately preceding the meeting.*

### 1. Ordinary resolution 1 – approval of the financial statements

“Resolved that “Resolved that the annual financial statements that accompanied the notice of the annual general meeting, including the directors’ report and the audit report contained therein, be adopted and approved.”

### 2. Ordinary resolution 2 – confirmation of the directors’ remuneration

“Resolved that the director’s remuneration as disclosed on page 56 and 57 of the financial statements be hereby confirmed.”

### 3. Ordinary resolution 3 – appointment of the auditors

“Resolved that Deloitte & Touche be appointed as auditors of the company and Mr M Comber as designated partner be confirmed until the date of the next annual general meeting.”

### 4. Ordinary resolution 4 – re-appointment of retiring directors

“Resolved that the reappointment of the following directors, who retire by rotation in terms of the articles of association, but being eligible, have offered themselves for re-election be authorised and confirmed by a separate resolution in respect of each reappointment:

7.1 Mr JR McAlpine

7.2 Mr A Tugendhaft

7.3 Ms P Langeni

*A brief Curriculum Vitae of each of the directors offering themselves for re-election is contained on page 8 of this annual report.*

*The performance and contribution of each of the above directors was considered by the board and the board recommends that each of these directors be re-elected.*

### 5. Ordinary resolution number 5 – increase in non-executive directors’ fees

“Resolved that the annual fees payable to non-executive directors for board and committee membership be increased with effect from 1 July 2009 as follows:

– Board	from R143 000	to R154 000;
– Asset and liability committee	from R52 800	to R57 000;
– Audit committee	from R74 750	to R81 000;
– Risk committee	from R52 800	to R57 000;
– Remuneration and nomination committee	from R52 800	to R57 000;
– Transformation committee	from R52 800	to R57 000.

Chairmen of committees receive a chairman’s fee of one and a half times a normal member’s fee in addition to their member’s fee, with the exception of the deputy chairman who receives a fee of R119 000 and the Audit Committee chairman who receives a fee of R161 250 in addition to his member’s fee.

# NOTICE OF ANNUAL GENERAL MEETING CONTINUED...

## 6. Special resolution 1 – general authority to repurchase Company shares

“Resolved that, the Company, or a subsidiary of the Company, be and is hereby authorised, by way of a general authority, to acquire ordinary shares of 4 cents each (“ordinary shares”) issued by the Company (including the conclusion of derivative transactions which may result in the purchase of shares), in terms of Sections 85 and 89 of the Companies Act, 61 of 1973, as amended (“the Act”) and in terms of the Listings Requirements of the JSE Limited (“the Listings Requirements”), it being recorded that the Listings Requirements currently require, inter alia, that the Company may make a general repurchase of securities only if:

- any such repurchase of ordinary shares is effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);
- authorised by the Company’s articles of association;

the general authority shall be valid until the next annual general meeting of the Company, provided that it shall not extend beyond 15 months from the date of this special resolution number 1;

when the Company has cumulatively repurchased 3% of the number of ordinary shares in issue on the date of passing of special resolution number 1, and for each 3% thereof, in aggregate acquired thereafter, an announcement is published as soon as possible and not later than 08:30 on the business day following the day on which the relevant threshold is reached or exceeded, and the announcement complies with the requirements of the Listings Requirements;

at any time, only one agent is appointed to effect any repurchase on the Company’s behalf;

the Company may only undertake a repurchase of securities if, after such repurchase, it still complies with shareholder spread requirements;

the Company or its subsidiary does not repurchase securities during a prohibited period unless the Company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;

any general repurchase by the Company of its own ordinary shares shall not, in aggregate in any one financial year exceed 20% of the Company’s issued ordinary shares as at the date of passing of this special resolution number 1; and

in determining the price at which the ordinary shares issued by the Company are acquired by it or its subsidiary in terms of this general authority, the maximum price at which such shares may be acquired will be 10% above the weighted average of the market value for such ordinary shares for the five business days immediately preceding the date of repurchase of such shares.

A general repurchase of the Company’s shares shall not be effected before the JSE has received written confirmation from the Company’s sponsor (“the sponsor”) in respect of the directors’ working capital statement. Furthermore, the Company will consult the sponsor before:

- it repurchases more than 10% in terms of its general authority;
- it executes a repurchase which will result in the accumulated Rand value of the repurchases from the date of the last authority being greater than 10% of the shareholders’ equity at the date that the authority was obtained; or
- it repurchases securities and the financial position of the group has changed materially from the date when the sponsor first issued its written confirmation, in order for the sponsor to review the validity of its letter issued when the general authority was granted.

The Company will only transact in derivative transactions relating to the repurchase of securities if, with regard to the price of the derivative:

- the strike price of any put option written by the Company less the value of the premium received by the Company for that put option may not be greater than the fair value of a forward agreement based on a spot price not greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is effected;
- the strike price of any call option purchased by the Company may be greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is effected at the time of entering into the derivative agreement, but the Company may not exercise the call option if it is more than 10% “out the money”; and
- the price of the forward agreement may be greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is effected but limited to the fair value of a forward agreement calculated from a spot price not greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is effected.

The directors of the Company confirm that no repurchase will be implemented in terms of this authority unless, after each such repurchase:

- the Company and its subsidiaries (“the group”) will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months after the date of the notice of the annual general meeting ;
- the consolidated assets of the Company and the group, fairly valued in accordance with the accounting policies used in the latest audited annual group financial statements, will exceed its consolidated liabilities for a period of 12 months after the date of the notice of the annual general meeting;

- the share capital and reserves of the Company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting; and
- the working capital of the Company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting.'

The implementation of this resolution will not have a material financial effect.

For the purposes of considering special resolution number 1, and in compliance with paragraph 11.23(b); 11.26 (b) and 11.30 (b) of the Listings Requirements, the information listed below has been included in the annual report, in which this notice of annual general meeting is included, at the places indicated:

- Directors and management of the Company can be found on page 150 of this report;
- Major shareholders of the Company can be found on pages 36 and 37 of this report;
- Director's interest in the Company can be found on page 95 of this report;
- Share capital of the Company can be found on page 92 of this report.

The directors, whose names are set out on page 150 of this report, collectively and individually accept full responsibility for the accuracy of the information contained in these resolutions and certify that to the best of their knowledge and belief that there are no facts, the omission of which would make any statement false or misleading and that they have made all reasonable queries in this regard; and that there are no legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Company and its subsidiaries ("the group") is aware), which may have or have had a material effect on the group's financial position over the last 12 months.

*Shareholders are advised that the directors of the Company will refrain from implementing special resolution number 1 until such time as the sponsor's letter has been lodged with the JSE.*

#### **Reason and effect**

The reason for and effect of special resolution number 1 is to grant the board of directors of the Company general authority in terms of the Act for the acquisition by the Company or any subsidiary, of the Company's ordinary shares.

The general authority will provide the board with the flexibility, subject to the Act and the Listings Requirements, to repurchase the Company's shares should it be in the interest of the Company at any time while the general authority exists. The general approval shall be valid until its variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that the general authority shall not be extended beyond 15 months from the date of passing of this special resolution.

### **7. Ordinary resolution 6 – authority to issue ordinary shares**

**"Resolved that** in terms of the JSE Limited Listings Requirements and the Companies Act, 61 of 1973, as amended, the authorised but unissued ordinary shares be and are hereby placed under the control of the directors by way of a general authority that shall remain valid until the next annual general meeting and the directors authorised to allot and issue those shares at their discretion, which authority shall include the authority to issue any option/convertible securities that are convertible into ordinary shares, provided that no more than 5 000 000 (five million) ordinary shares in aggregate may be issued in terms of this authority."

The effect of special resolution number 2 is to grant the board of directors of the Company specific authority in terms of the Act for the acquisition by the Company, of the Company's ordinary shares from Lereko Mobility on 4 June 2014 which is one year earlier than the specific authority for the acquisition by the Company, of the Company's ordinary shares from Lereko Mobility on 4 June 2015 granted by shareholders at the general meeting of shareholders held on 6 June 2005.

### **8. Ordinary resolution 7 – authority to issue non-redeemable preference shares**

**"Resolved that**, in terms of the JSE Limited Listings Requirements and the Companies Act, 61 of 1973, as amended, the authorised but unissued non-redeemable cumulative, non-participating preference shares be and are hereby placed under the control of the directors and the directors authorised to allot and issue those shares at their discretion, provided that no more than 5.

### **9. Ordinary resolution 8 – amendment of share incentive schemes**

**"Resolved that**, the Board of directors of Imperial Holdings Limited (the "Company") be authorised to amend the following employee share plans:

- Imperial Holdings Limited Share Appreciation Right Scheme ("SAR");
- Imperial Holdings Limited Conditional Share Plan ("CSP"); and
- Imperial Holdings Limited Deferred Bonus Plan ("DBP"),

collectively referred to as the "Plans".

with the approval of the JSE Limited in order to ensure compliance with Schedule 14 to the JSE Listings Requirements, as amended during October 2008."

## NOTICE OF ANNUAL GENERAL MEETING CONTINUED...

The amendments made to each Plan to ensure compliance with Schedule 14 to the JSE Listings Requirements can be summarised as follows:

- (a) Reference to a fixed number of shares being available for utilisation under the Plan and clarification around how that limit is calculated by amending the definition of the term "Allocated" in each of the Plans to read as follows:

"Allocated" as one SAR granted will never result in the dilution of one full Share, for purposes of setting the limits, "Allocated" shall mean the expected dilution per SAR granted shall not exceed the Company and individual limits determined in Rules 5.1 and 5.2"

The effect of this amendment, as well as the incidental amendments that flow from it, will be that the maximum number of shares that may be issued under the imperial share incentive schemes will be calculated with reference to the potential dilution should shares be issued in settlement by taking into account the expected number of shares that will vest after satisfaction of the relevant performance conditions rather than with reference to the number of rights issued in terms of the Plans. The maximum number of shares that may be issued in terms of the Plans will however remain unchanged at 10% of the issued share capital which equated 21 212 987 (twenty one million two hundred and twelve thousand nine hundred and eighty seven) shares overall and 1% of the issued share capital which equated 2 121 298 (two million one hundred twenty one thousand two hundred ninety eight) shares per participant at 30 June 2009.

- (b) Amendment of the definition of eligible participants to specifically exclude participants of the Remuneration Committee and non-executive directors.

- (c) Removal of the board of directors' discretion to amend performance conditions in certain circumstances by deleting the following clause from each of the plans:

"The Board may, at any time change the Performance Conditions specified in a Letter of Grant if events occur which cause the Board reasonably to consider that changed Performance Conditions would be a fairer measure of performance, as merited by changed business conditions; provided that the Board shall first communicate with the Participant concerned and any such changes shall be no more difficult to satisfy than the original Performance Conditions."

- (d) Removal of the board of directors' discretion to extend the vesting date in the event of Retrenchment, death, ill-health, disability of a participant and inserting the following wording in each of the share plans:

"(or an extended period of up to 12 (twelve) months in the case of death) of the date of cessation of employment, failing which the SARs will lapse."

- (e) Confirmation of any amount payable by participants in the Plan in order to receive an award or upon the vesting of an award by inserting a clause in each of the Plans as follows:

"Participants are not required to make payments for SARs/CSPs/DBPs at any given period during the life of the Scheme."

- (f) Removal of the board of directors' discretion to determine the rights of participants who leave the Company's employment whilst holding awards granted under the Plan by deleting the following words in each of the scheme documents and incidental amendments that flow from this:

"... cessation except to the extent that the Board shall determine otherwise in its discretion. The discretion of the Board will be limited to the Vesting of a pro-rata portion of the SARs, reflecting the number of months served since the Date of Grant and, in the opinion of the Board, the extent to which the Performance Conditions have been satisfied."

Inclusion of a provision that adjustments made to awards upon the occurrence of certain events must give the participant an entitlement to the same portion of the equity capital as that to which he was previously entitled and procedures to be followed when such an adjustment is made and by providing a procedure for independent verification of any adjustments as well as reporting of such adjustments to the JSE and to shareholders as well as incidental amendments that flow from this.

- (g) Addition of provisions which cannot be amended without the shareholder approval by ordinary resolution of 75% (seventy five percent) of the shareholders of the Company in general meeting and the JSE as follows:

- eligibility to participate in the Scheme;
- the basis upon which SARs are made;
- the treatment of SARs in the event of a change of Control, as envisaged in Rule 12;
- the procedure to be adopted in respect of the vesting and exercise of SARs in the event of termination of employment and/or Retirement as.
- the basis for determining the Grant Price and Exercise Price;
- the adjustment of Grants and price in the event of a variation of capital of the Company as envisaged in Rule 13 as well as voting, dividend, transfer and other rights, including those arising on liquidation of the Company, attaching to Shares;
- the limitations on benefits or maximum entitlements; and
- the number of Shares which may be utilised for the Scheme;

The Board may make minor amendments to the Rules for ease of the administration of the Scheme, to comply with or take account of the provisions of any proposed or existing legislation or to obtain or maintain favourable taxation or regulatory treatment of the Company or any Employer Company or any present or future Participant.”

- (h) Cross reference to certain provisions included in the JSE Listings Requirements.

Copies of the amended share scheme rules will be available for inspection at the registered office of the Company for the duration of the notice period until 16:00 on Monday, 2 November 2009 and 30 minutes immediately preceding the meeting.

- 10.** To transact such other business as may be transacted at an annual general meeting of shareholders.

### **Proxy and voting procedure**

*Shareholders entitled to attend and vote at the annual general meeting may appoint a proxy to attend, speak and vote thereat in their stead. A proxy need not be a shareholder of the Company.*

*Forms of proxy in which are set out the relevant instructions for their completion, are attached for the use of certificated shareholders and dematerialised shareholders with “own name” registration who wish to be represented at the annual general meeting. Completion of the relevant forms of proxy will not preclude such shareholder from attending and voting (in preference to those shareholders’ proxies) at the annual general meeting.*

*Dematerialised shareholders, other than those with “own name registration” who wish to attend the annual general meeting, must inform their Central Securities Depository Participant (“CSDP”) or broker of their intention to attend the annual general meeting and obtain the necessary authorisation from their CSDP or broker.*

*Should they be unable to attend the annual general meeting, dematerialised shareholders, other than those with “own name” registration and who wish to be represented thereat, must contact their CSDP or broker as to how they wish to vote. This must be done in a manner and time stipulated in terms of the agreement entered into between such shareholder and their CSDP or broker.*

*The instrument appointing the proxy and the authority (if any) under which it is signed, must reach the Company’s transfer secretaries, Computershare Investor Services (Pty) Limited, by no later than 09:00 on Friday, 30 October 2009.*

By order of the board



**RA Venter**  
Company Secretary

15 September 2009

# CORPORATE INFORMATION

## Directors

### Non-executive

TS Gcabashe\* Chairman BA (Botswana),  
MURP (Ball State Univ, USA)  
S Engelbrecht\*, BSc, MBL, AMP Insead  
P Langeni\* BCom (Accounting)  
MJ Leeming\* BCom, MCom, FCMA, FIBSA, AMP  
JR McAlpine\* BSc, CA  
MV Moosa BSc  
RJA Sparks\* BCom (Hons), CA (SA), MBA  
A Tugendhaft Deputy chairman BA, LLB  
Y Waja BCom, CA (SA)  
\* *Independent*

### Executive

HR Brody Chief Executive BAcc (Hons), CA (SA)  
OS Arbee BAcc, CA (SA), H Dip Tax  
MP de Canha  
RL Hiemstra BCompt (Hons), CA (SA)  
AH Mahomed BCompt (Hons), CA (SA), H Dip Tax  
GW Riemann (German)

### Executive Committee

HR Brody (Chairman), OS Arbee, MP de Canha, BJ Francis,  
DD Gnodde, RL Hiemstra, AH Mahomed, M Mosola,  
M Swanepoel

### Audit Committee

MJ Leeming (Chairman), P Langeni, RJA Sparks,  
Y Waja

### Remuneration and Nomination Committee

TS Gcabashe (Chairman), P Langeni, JR McAlpine, RJA Sparks,  
A Tugendhaft

### Risk Committee

Y Waja (Chairman), H Adler, OS Arbee, W Behrens, HR Brody,  
BJ Francis, DD Gnodde, RL Hiemstra, MJ Leeming, C Masinga,  
G Nzalo, G Rudman, A Tennick

### Transformation Committee

MV Moosa (Chairman), OS Arbee, MP de Canha, TS Gcabashe,  
P Langeni, M Swanepoel, A Tugendhaft

### Asset and Liability Committee

HR Brody (Chairman), RL Hiemstra, MJ Leeming, AH Mahomed,  
R Mumford, WF Reitsma

### Group Internal Audit Executive

G Nzalo BCom, CA (SA), CIA

### Group Treasurer

WF Reitsma BTech Banking, MCom, FIBSA, FIFM

### Group Legal Advisor and Company Secretary

RA Venter BCom, LLB, LLM

## Business address and registered office

Imperial Place  
Jeppe Quondam  
79 Boeing Road East  
Bedfordview  
2007

## Postal address and contact numbers

PO Box 3013  
Edenvale  
1610

Telephone +27 (0) 11 372 6500  
Facsimile +27 (0) 11 372 6550

## Name and registration number

Imperial Holdings Limited  
1946/021048/06

## Share transfer secretaries

Computershare Investor Services (Pty) Limited  
70 Marshall Street  
Johannesburg  
2001

PO Box 61051  
Marshalltown  
2107

Telephone +27 (0)11 370 5000  
Facsimile +27 (0)11 370 5487

## Sponsor

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

## Contact person for sustainability

RA Venter  
Telephone +27 (0)11 372-6507  
email rventer@ih.co.za

## Website

[www.imperial.co.za](http://www.imperial.co.za)

## Email

[mail@imperial.co.za](mailto:mail@imperial.co.za)

## JSE information

Ordinary share code: IPL  
ISIN: ZAE000067211  
Preference share code: IPLP  
ISIN: ZAE000088076

## Shareholders' diary

Annual General Meeting 3 November 2009  
Interim Results released February 2010  
Interim Distribution April 2010  
Final Results released August 2010  
Final Distribution October 2010



# IMPERIAL

## Imperial Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration number: 1946/021048/06)

JSE share code: IPL

ISIN: ZAE000067211

("Imperial" or "the Company")

## FORM OF PROXY

**If you are a dematerialised shareholder, other than with "own name" registration, do not use this form. Dematerialised shareholders' (other than with "own name" registration) instructions should be provided to their appointed CSDP or broker in the form stipulated in the custody agreement entered into between the shareholder and their CSDP or broker.**

An ordinary shareholder entitled to attend and vote at the annual general meeting to be held in the boardroom of Imperial Holdings Limited, Imperial Place, Jeppe Quondam, 79 Boeing Road East, Bedfordview, Gauteng on Tuesday, 3 November 2009 at 09h00 ("the AGM"), is entitled to appoint a proxy to attend, speak or vote thereat in his/her stead. A proxy need not be a shareholder of the Company.

All forms of proxy must be lodged at the transfer secretaries, Computershare Investor Services (Proprietary) Limited, 11th Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by no later than 09h00 on Friday, 30 October 2009.

I/We

of

being an ordinary shareholder(s) of the Company holding  ordinary shares in the Company do hereby appoint

1. \_\_\_\_\_ or failing him/her

2. \_\_\_\_\_ or failing him/her

3. the chairman of the AGM

as my/our proxy to vote for me/our behalf at the AGM (and any adjournment thereof) for the purpose of considering and, if deemed fit, passing with or without modifications, the following resolution to be considered at the AGM.

	Number of Votes (one per share)		
	In favour of	Against	Abstain
1. Ordinary Resolution 1 – Financial Statements			
2. Ordinary Resolution 2 – Directors' Remuneration			
3. Ordinary Resolution 3 – Appointment of Auditors			
4. Ordinary Resolution 4.1 – Re-appointment JR McAlpine			
Ordinary Resolution 4.2 – Re-appointment A Tugendhaft			
Ordinary Resolution 4.3 – Re-appointment P Langeni			
5. Ordinary Resolution 5 – Directors' Fees			
6. Special Resolution 1 – General authority to repurchase Company shares			
7. Ordinary Resolution 6 – Authority over unissued ordinary shares			
8. Ordinary Resolution 7 – Authority over unissued preference shares			
9. Ordinary Resolution 8 – Amendment of share incentive schemes			

Insert an X in the appropriate block. If no indications are given, the proxy will vote as he/she deems fit. Each shareholder entitled to attend and vote at the meeting may appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in his/her stead.

Please read the notes on the reverse side hereof.

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2009

Signature \_\_\_\_\_

Assisted by (where applicable) \_\_\_\_\_

# NOTES TO THE FORM OF PROXY

## Notes

1. A shareholder may insert the names of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the meeting", but any such deletion must be initialled by the shareholder. The person whose name appears first on the proxy and which has not been deleted shall be entitled to act as proxy to the exclusion of those whose names follows.
2. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless that authority has already been recorded with the Company's transfer secretaries.
3. Proxies must be lodged at or posted to the Company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, 11th Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown 2107), to be received by no later than 09h00 on Friday, 30 October 2009.
4. The completion and lodging of this proxy shall not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
5. The chairman of the meeting may reject or accept a proxy which is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.



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