



**IMPERIAL GROUP (PROPRIETARY) LIMITED**

*(Incorporated with limited liability under Registration Number 1983/009088/07  
in the Republic of South Africa)*

*Guaranteed by*

**IMPERIAL HOLDINGS LIMITED**

*(Incorporated with limited liability under Registration Number 1946/021048/06  
in the Republic of South Africa)*

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**IMPERIAL COMMERCIAL PAPER PROGRAMME**

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In April 2000, the Issuer (as defined below) established a Commercial Paper Programme which was amended and restated on 12 September 2003 and 18 April 2005. This Programme Memorandum supersedes any previous placing document or Programme Memorandum. Any Notes (as defined below) issued under the Programme on or after the date of this Programme Memorandum are subject to the provisions described herein. This Programme Memorandum does not affect any Notes issued before the date of this Programme Memorandum. Under this Imperial Commercial Paper Programme (the "**Programme**"), Imperial Group (Proprietary) Limited (the "**Issuer**") may from time to time issue unlisted, registered, unsecured, guaranteed commercial paper (the "**Notes**") subject to the terms and conditions (the "**Terms and Conditions**") contained in this Programme Memorandum.

Imperial Holdings Limited (the "**Guarantor**") has given its irrevocable and unconditional guarantee to the holders of the Notes ("**Noteholders**") for the due and punctual performance by the Issuer of all the obligations which it may now have, or have incurred, or in the future may incur to the Noteholders in respect of or arising out of the Programme (including, but not limited to, specific performance and payment of interest or principal in respect of the Notes).

Details of each issue of Notes, including the Principal Amount and the Maturity Date (each as defined in the Terms and Conditions), will be set out on the face of the relevant Certificate (as defined in the Terms and Conditions). The Notes will be issued in such form as the Issuer and the Dealers may agree from time to time and will not be subject to any minimum or maximum maturity.

**The Programme has been approved by, but not registered on, the Bond Exchange of South Africa ("BESA"). Notes will not be listed on or traded through the members of BESA or any successor exchange. The placement of trades under this Programme will be reported through the BESA reporting system in order for the settlement of trades to take place in accordance with the electronic settlement procedures of the Settlement Agents (as defined in the Terms and Conditions) and the CSD (as defined in the Terms and Conditions). The trading and/or settlement of the Notes will not be guaranteed by the Bond Exchange Guarantee Fund.**

This Programme Memorandum shall serve as the "*Placing Document*" or "*Prospectus*" for the purposes of paragraph 5 of the Commercial Paper Regulations published in Government Notice Number 2172 of (Government Gazette 16167) of 14 December 1994 under paragraph (cc) of the definition of "*the business of the bank*" in Section 1 of the Banks Act, 1990.

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*Arranger*

**The Standard Bank of South Africa Limited**

*Dealers*

**The Standard Bank of South Africa Limited**

**Nedbank Capital,**

**a division of Nedbank Limited**

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Programme Memorandum dated 26 February 2007

A handwritten signature in black ink, appearing to be 'A. N. J.', located in the bottom right corner of the page.

## **IMPORTANT NOTICE**

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*Capitalised terms used in this section shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or clearly inappropriate from the context.*

The Issuer and Guarantor accept responsibility for the information contained in this Programme Memorandum. To the best of the knowledge and belief of the Issuer and the Guarantor (having taken all reasonable care to ensure that such is the case) the information contained in this Programme Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer and the Guarantor, having made all reasonable enquiries, confirm that this Programme Memorandum contains or incorporates all information which is material in the context of the issue and the offering of the Notes, that the information contained or incorporated in this Programme Memorandum is true and accurate in all material respects and is not misleading, that the opinions and the intentions expressed in this Programme Memorandum are honestly held and that there are no other facts the omission of which would make this Programme Memorandum or any of such information or expression of any such opinions or intentions misleading in any material respect.

This Programme Memorandum is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see section entitled “*Documents Incorporated by Reference*”). This Programme Memorandum shall be read and construed on the basis that such documents are incorporated into and form part of this Programme Memorandum.

The Arranger, the Dealer, BESA and other professional advisers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility or liability is accepted by the Arranger, the Dealer, BESA or other professional advisers as to the accuracy or completeness of the information contained in this Programme Memorandum or any supplement hereto or any other information provided by the Issuer and the Guarantor in connection with the Programme.

No person has been authorised by the Issuer, the Guarantor, the Arranger or the Dealers to give any information or to make any representation not contained in or not consistent with this Programme Memorandum or any supplement hereto or any other information supplied in connection with the Programme, and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, the Arranger or the Dealer.

The Issuer and the Guarantor have confirmed to the Dealers that the information contained in this Programme Memorandum, when read in conjunction with the most recently published audited annual financial statements of the Issuer and the Guarantor (copies of which may be obtained from the Dealers on request) and any subsequent interim statements concerning the Issuer and the Guarantor, are in all material respects true, accurate and not misleading.

Potential purchasers of Notes should determine for themselves the relevance of the information contained in this Programme Memorandum as supplemented from time to time and their decision to purchase any of the Notes should be based upon such investigation as they themselves deem necessary. This Programme Memorandum should not be considered as a recommendation by the Arranger or the Dealers to purchase any of the Notes.

**This Programme Memorandum does not, and is not intended to, constitute or contain an offer or invitation to any person to purchase any Notes. The distribution of this Programme Memorandum and the offering for sale of the Notes in certain jurisdictions may be restricted by law. Any persons into whose possession this Programme Memorandum or any Notes come are required by the Issuer, the Guarantor and the Dealers to inform themselves of, and to observe, any such restrictions. In particular, there are restrictions on the distribution of this Programme Memorandum and the offer for subscription or sale of the Notes in the United States of America, the United Kingdom, the European Economic Area and Republic of South Africa. None of the Issuer, the Guarantor, the Arranger, the Dealers nor the other professional advisers represents that this Programme Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any**

such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Arranger, the Dealer, or the other professional advisers which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or subscribed for or sold, directly or indirectly, and neither this Programme Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

This Programme Memorandum is not for distribution in, and does not constitute an offer for securities for sale or subscription in, the United States of America, Canada, Japan or Australia or in any other jurisdiction in which such an offer for sale or subscription would be unlawful or would require qualification or registration. Securities may not be offered in the United States of America without registration or an exemption from registration under the securities laws of the United States of America or in any other jurisdiction, except in accordance with the applicable law. Notes have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act"). Notes may not be offered, subscribed for or sold or delivered within the United States of America or to U.S. persons or to persons resident in the United States of America, except in accordance with Regulation S under the Securities Act.

Furthermore, neither the Issuer, the Guarantor, the Arranger nor the Dealers make any representation about the treatment for taxation purposes of payments or receipts in respect of the Notes. Each investor contemplating acquiring Notes under the Programme described herein is advised to consult a professional adviser in connection therewith.

In this Programme Memorandum references to "ZAR", "Rand", "R" are to the lawful currency of the Republic of South Africa.

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**TABLE OF CONTENTS**

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	<i>Page</i>
DOCUMENTS INCORPORATED BY REFERENCE	5
GENERAL DESCRIPTION OF THE PROGRAMME	6
FORM OF THE NOTES	7
TERMS AND CONDITIONS OF THE NOTES	8
USE OF PROCEEDS	22
DESCRIPTION OF THE IMPERIAL GROUP	23
SOUTH AFRICAN TAXATION	43
SUBSCRIPTION AND SALE	45
SETTLEMENT, CLEARING AND TRANSFERS	48
GENERAL INFORMATION	49

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## DOCUMENTS INCORPORATED BY REFERENCE

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*Words used in this section entitled "Documents Incorporated By Reference" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

The following documents shall be deemed to be incorporated in, and to form part of, this Programme Memorandum:

- (a) all amendments and supplements to this Programme Memorandum prepared and circulated by the Issuer from time to time;
- (b) in respect of any issue of Notes under this Programme Memorandum, the audited annual financial statements, and notes thereto, of the Issuer for its three financial years prior to the date of such issue;
- (c) in respect of any issue of Notes under this Programme Memorandum, the audited annual financial statements and interim abridged financial statements, and notes thereto, of the Guarantor for its three financial years prior to the date of such issue,

save that any statement contained herein or in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Programme Memorandum to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

If the terms of the Programme are modified or amended in a manner which would make this Programme Memorandum inaccurate or misleading, a new Programme Memorandum will be prepared.

The Issuer will provide, free of charge, to each person to whom a copy of the Programme Memorandum has been delivered, upon request of such person, a copy of any of the documents deemed to be incorporated herein by reference, unless such documents have been modified or superseded. Requests for such documents should be directed to the Arranger at its specified office as set out herein. Copies of the Guarantor's financial statements may be found on the Imperial Holdings Limited website ([www.imperial.co.za](http://www.imperial.co.za)).

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## **GENERAL DESCRIPTION OF THE PROGRAMME**

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*Words used in this section entitled "General Description of the Programme" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

Under the Programme, the Issuer may from time to time issue Notes in such currencies and in such denominations as may be agreed between the Issuer and the Dealer, subject to a minimum denomination of ZAR1,000,000 each (to the extent that such Notes are issued in Rands) and the applicable laws. The Notes will not be issued subject to any minimum or maximum maturity.

The Issuer will publish a supplement to the Programme Memorandum on the occasion of any subsequent issue of Notes where there has been any modification of the terms of the Programme which would then make the Programme Memorandum inaccurate or misleading.

The Notes will be issued subject to the Terms and Conditions contained in this Programme Memorandum.

The Issuer shall not require the consent of Noteholders for the issue of Notes under the Programme.

The Programme will not have a programme size. Instead, the size of the Programme will be the aggregate Principal Amount of all the Notes issued under the Programme from time to time, as authorised by the board of directors of the Issuer and the Guarantor.

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## FORM OF THE NOTES

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*Words used in this section entitled "Form of the Notes" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

Each Note will be issued in accordance with the Terms and Conditions set out below in this Programme Memorandum, in the form of a single Certificate for such Notes, which will be lodged and immobilised in the CSD, which forms part of the settlement system of BESA. This will entail that each Note, represented by a Certificate, will be deposited with the CSD and registered in the name of, and for the account of, the CSD's Nominee.

Beneficial Interests in Notes, which are lodged in the form of a Certificate, registered in the name of the CSD may, in terms of existing law and practice, be transferred through the CSD by way of book entry in the securities accounts of the Participants in the CSD, who are also approved by BESA to act as settlement agents and therefore perform electronic settlement of both funds and scrip on behalf of market participants. A certificate or other document issued by a Participant as to the nominal amount of such Beneficial Interest in such Notes standing to the account of any person shall be *prima facie* proof of such Beneficial Interest. A Certificate may be replaced by the issue of uncertificated securities in terms of Section 37 of the Securities Services Act, 2004.

Beneficial Interests in Notes may be exchanged for Notes in definitive registered form. Each Certificate will be registered in the names of the Noteholders in the Register of Noteholders maintained by the Transfer Agent. The Issuer shall regard the Register as the conclusive record of title to the Notes. The CSD's Nominee shall be recognised by the Issuer as the registered holder of the Notes registered in the name of the CSD represented by such Certificate and the registered holders of Certificates in definitive registered form shall be recognised by the Issuer as the owners of the Notes represented by such Certificates issued in definitive registered form.

In the event that the Notes are uncertificated, the Issuer shall record in its Register the name of the CSD's Nominee as the registered holder of the uncertificated securities.

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## TERMS AND CONDITIONS OF THE NOTES

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The following are the Terms and Conditions of the Notes to be issued by the Issuer under the Programme. In these Terms and Conditions the following words and expressions shall, unless inconsistent with the context, have the following meanings:

### 1. INTERPRETATION

“Actual Redemption Date”	in respect of Extendible Notes, the actual date of redemption in full by way of payment of the aggregate Principal Amount Outstanding of such Notes;
“Applicable Procedures”	the rules and operating procedures for the time being of the CSD, Participants and BESA, as the case may be;
“Arranger”	Standard Bank;
“Beneficial Interest”	the undivided share of a co-owner of the Notes represented by a Certificate registered in the name of the CSD, as provided in section 41 of the Securities Services Act or the undivided share of a co-owner of Notes represented by a certificate registered in the name of any other securities depository, as the case may be;
“BESA”	the Bond Exchange of South Africa, a licensed exchange in terms of the Securities Services Act (or any successor legislation thereto) or any exchange which operates as a successor exchange to BESA;
“Business Day”	a day (other than a Saturday or Sunday or public holiday within the meaning of the Public Holidays Act, 1994) which is a day on which commercial banks settle ZAR payments in Johannesburg;
“Calculation Agent”	Standard Bank;
“Certificate”	a certificate, including the schedule entitled “ <i>Description of Notes</i> ” attached to the Certificate issued in accordance with the Programme to represent the Notes in such form as agreed by the Issuer and the Dealers in respect of an issue of Notes. A Certificate may be replaced by the issue of uncertificated securities in terms of Section 37 of the Securities Services Act;
“CSD”	STRATE Limited (Registration Number 1998/022242/06), or its nominee, operating in terms of the Securities Services Act (or any successor legislation thereto), or any additional or alternate depository approved by the Issuer;
“CSD’s Nominee”	Central Depository Nominees (Proprietary) Limited Registration Number 1990/006665/07), a wholly owned subsidiary of the CSD;
“Dealers”	Standard Bank, Nedbank Capital and any other additional Dealer appointed by the Issuer under the Programme from time to time which appointment may be for a specific issue or on an ongoing basis, subject to the Issuer’s right to terminate the appointment of any Dealer;
“Early Redemption Amount”	(a) in the case of Notes with a Maturity Amount equal to their Principal Amount, the Maturity Amount thereof; or



- (b) in the case of Notes (other than Zero Coupon Notes) with a Maturity Amount which is or may be less or greater than their Issue Price, to be determined in the manner specified on the relevant Certificate, that Maturity Amount or, if no such amount or manner is so specified on the Certificate, their Principal Amount; or
- (c) in the case of Zero Coupon Notes, at an amount (the “**Amortised Face Amount**”) equal to the sum of: (i) the Reference Price stated on the Certificate; and (ii) the product of the Accrual Yield stated on the Certificate (compounded semi-annually), being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or, as the case may be, the date upon which such Note becomes due and payable, or such other amount as is provided on the Certificate.

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of actual days elapsed divided by 365, or such other calculation basis as may be specified on the Certificate;

<b>“Event of Default”</b>	an event of default as set out in Condition 10;
<b>“Extendible Notes”</b>	the Notes which entitles the Issuer to extend the Maturity Date to a pre-determined future date, as indicated on the relevant Certificate;
<b>“Extraordinary Resolution”</b>	a resolution passed at a meeting of the Noteholders by a majority consisting of not less than two-thirds of the persons voting thereat upon a show of hands or if a poll be duly demanded then by a majority consisting of not less than two-thirds of the votes given on such poll;
<b>“Fixed Rate Notes”</b>	the Notes which bear interest at a fixed interest rate, as indicated on the relevant Certificate;
<b>“Floating Rate Notes”</b>	the Notes which bear interest at a floating rate, as indicated on the relevant Certificate;
<b>“Guarantee”</b>	each Note will be irrevocably and unconditionally guaranteed by the Guarantor. Each Note will constitute a direct, unconditional, unsubordinated and unsecured obligation of the Guarantor and rank <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Guarantor;
<b>“Guarantor”</b>	Imperial Holdings Limited (Registration Number 1946/021048/06);
<b>“Indexed Linked Note”</b>	a Note, the Maturity Amount and/or the Interest Amount of which is not fixed at the time of the issue, but which is to be calculated in accordance with such formula or other arrangement as is agreed between the Issuer and the relevant Dealer;
<b>“Interest Amount”</b>	the amount of interest payable on the Principal Amount of each interest-bearing Note, as determined in accordance with Condition 5;

<b>“Interest Payment Date”</b>	the interest Payment Date(s) specified on the relevant Certificate, on which interest due in respect of the relevant Note is payable;
<b>“Interest Period”</b>	the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date thereafter, or the Maturity Date, as the case may be and each successive period from (and including) the Interest Payment Date to (but excluding) the next succeeding Interest Payment Date or the Maturity Date, as the case may be;
<b>“Interest Rate”</b>	the rate of interest payable in respect of Notes, other than Zero Coupon Notes, as specified on the relevant Certificate;
<b>“Issue Date”</b>	the date of issue of any Note under the Programme, as reflected on the relevant Certificate, being the date upon which such Note is delivered to the purchaser(s) against payment;
<b>“Issue Price”</b>	with regard to any issue of Notes under the Programme, the price at which such Notes are issued as may be agreed between the Issuer and the relevant Dealer and indicated on the Certificate;
<b>“Issuer”</b>	Imperial Group (Proprietary) Limited (Registration Number 1983/009088/07);
<b>“Last Day to Register”</b>	with regard to each issue of Notes, 17h00 (South African time) on the sixth day preceding a Payment Day on which the Transfer Agent will accept Transfer Forms and record the transfer of Notes in the Register for that particular issue of Notes and whereafter, the Register is closed for further transfers or entries until such Payment Day;
<b>“Liquidated”</b>	any winding up, liquidation, offer of compromise in terms of section 311 of the Companies Act, 1973, deregistration or judicial management, whether provisional or final, voluntary or compulsory and any resolution of shareholders or creditors passed towards such end;
<b>“Maturity Amount”</b>	the amount payable in respect of a Note upon maturity thereof as specified on the relevant Certificate;
<b>“Maturity Date”</b>	the date upon which the Maturity Amount is payable in respect of a Note as reflected on the Certificate, except that, in relation to monies payable to the CSD in accordance with these Terms and Conditions, it means the first date on which: (i) the full amount of such monies have been received by the CSD, (ii) such monies are available for payment to the holders of Beneficial Interests, and (iii) notice to that effect has been duly given to such holders in accordance with the Applicable Procedures;
<b>“Nedbank Capital”</b>	Nedbank Capital, a division of Nedbank Limited (Registration Number 1951/000009/06);
<b>“Nedbank Investor Services”</b>	Nedbank Investor Services, a division of Nedbank

	Limited (Registration Number 1951/000009/06);
<b>“Noteholder”</b>	the holder of a Note (as recorded in the Register kept by the Transfer Agent in accordance with the Terms and Conditions);
<b>“Notes”</b>	unlisted, unsecured, guaranteed commercial paper, issued or to be issued by the Issuer under the Programme, in such form as the Issuer and the Dealers may agree from time to time and represented by a Certificate;
<b>“Partial Redemption Amount”</b>	the portion of the Principal Amount Outstanding of any Extendible Note redeemed by the Issuer, as notified to Noteholders in accordance with Condition 15;
<b>“Participant”</b>	a person accepted by the CSD as a participant in terms of section 34 of the Securities Services Act (or any successor Act thereto);
<b>“Paying Agent”</b>	Nedbank Investor Services;
<b>“Payment Day”</b>	any day which is a Business Day and upon which payment is due by the Issuer in respect of any Notes;
<b>“Prime Rate”</b>	the publicly quoted basic rate of interest (percent, per annum, compounded monthly in arrear and calculated on a 365-day year irrespective of whether or not the year is a leap year) from time to time published by any of the Reference Banks as being their prime rate as certified by any manager of such bank whose authority, appointment and designation need not be proved;
<b>“Principal Amount Outstanding”</b>	in respect of any Extendible Note, the Principal Amount of such Notes less the aggregate of principal payments made in respect of such Note;
<b>“Principal Amount”</b>	in respect of each Note, the nominal value of the Note specified on the Certificate;
<b>“Programme”</b>	the Imperial Commercial Paper Programme under which the Issuer may from time to time issue Notes;
<b>“Reference Banks”</b>	four leading banks in the South African interbank market selected by the Calculation Agent;
<b>“Reference Rate”</b>	the rate to be referenced by the Calculation Agent in calculating the Interest Amount and/or the Maturity Amount in respect of Floating Rate Notes and Index Linked Notes;
<b>“Register”</b>	the register maintained by the Transfer Agent in terms of Condition 13;
<b>“Relevant Screen Page”</b>	the Reuters page or other electronic source specified on the Certificate which is referred to by the Calculation Agent for purposes of determining the Reference Rate in respect of Floating Rate Notes and Index Linked Notes;
<b>“Securities Services Act”</b>	the Securities Services Act, 2004;
<b>“Settlement Agent”</b>	a Participant, approved by BESA to perform electronic net settlement of both funds and scrip on behalf of market participants;
<b>“South Africa”</b>	the Republic of South Africa;

“Standard Bank”	The Standard Bank of South Africa Limited (Registration Number 1962/000738/06);
“Step-up Margin”	the margin to be added to the Interest Rate applicable to an Extendible Note and specified on the Certificate or in the case of Zero Coupon Notes, the agreed rate specified on the Certificate;
“Terms and Conditions”	the terms and conditions incorporated in this section entitled “ <i>Terms and Conditions of the Notes</i> ” and in accordance with which the Notes are issued;
“Transfer Agent”	Nedbank;
“Transfer Form”	the written form for the transfer of any Note, in the form approved by the Transfer Agent, and signed by the transferor and transferee;
“ZAR”	the lawful currency of South Africa, being South African Rand or any successor currency;
“Zero Coupon Notes”	Notes which are offered and sold at a discount to their aggregate Principal Amount and which will not bear interest, as indicated on the relevant Certificate.

## 1. FORM AND DENOMINATION

- 1.1 Notes will be issued in such denominations and in such currency as may be agreed between the Issuer and the relevant Dealer, subject to a minimum denomination of ZAR1,000,000 each (to the extent that such Notes are issued in ZAR).
- 1.2 The Notes, in the form of Zero Coupon Notes, Fixed Rate Notes, Floating Rate Notes or Indexed Linked Notes or such other form as agreed by the Issuer and the relevant Dealer in respect of an issue of Notes, will be issued in the form of a Certificate, which will be deposited with the CSD and registered in the name of, and for the account of the CSD’s Nominee.
- 1.3 The Maturity Date of all or part of any Extendible Notes may be extended at the option of the Issuer, after the Issuer has given the relevant Noteholders the Requisite Notice specified on the Certificate in accordance with Condition 15. Such Maturity Date may be extended by the Issuer one or more times by such days or multiple of days specified on the Certificate.
- 1.4 As a consequence of the Notes not being listed on BESA, Noteholders of the Notes will have no recourse against the Bond Exchange Guarantee Fund established under Part D, section 8 of the Market Association Rules of the Bond Traders Association.

## 2. TITLE

Title to the Notes will pass upon registration of transfer in the Register in accordance with Condition 13.1. The Issuer may deem and treat the registered holder of any Note reflected in the Register as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Note may be subject.

## 3. THE STATUS OF THE NOTES

Each Note constitutes a direct, unconditional, unsubordinated and unsecured obligation of the Issuer and the Notes rank *pari passu* among themselves and, save for certain debts required to be preferred by law, *pari passu* equally with all other present and future unsecured and unsubordinated obligations of the Issuer outstanding from time to time.

#### 4. GUARANTEE

- 4.1 The Guarantor irrevocably and unconditionally guarantees to the Noteholders the due and punctual payment of:
- 4.1.1 if the Notes have been accelerated in accordance with these Terms and Conditions, or upon the Maturity Date in respect of the Notes, the aggregate of:
- (a) 100% of the aggregate outstanding Principal Amount of the Notes; plus
  - (b) interest on the Principal Amount of the Notes accrued at the Interest Rate to the scheduled Interest Payment Date for such interest; plus
  - (c) interest on any due and unpaid amounts accrued at the Prime Rate from the Maturity Date or scheduled Interest Payment Date, as the case may be, to the date of actual payment thereof; and
- 4.1.2 if there has been a default in the payment of any interest on the Notes and if the Notes have not been accelerated in accordance with these Terms and Conditions (but after the expiry of any grace period provided for in these Terms and Conditions), the aggregate of:
- (a) interest on the outstanding Principal Amount of the Notes accrued at the Interest Rate to the scheduled Interest Payment Date for such interest; plus
  - (b) interest on any due and unpaid amounts referred to accrued at the greater of the Interest Rate or the Prime Rate from the scheduled Interest Payment Date to the date of actual payment thereof, even if the Issuer's obligations under the Notes are void or unenforceable for any reason.
- 4.2 The Guarantor is required to make any payment under the Guarantee as contemplated in Condition 4.1.2 (above) by no later than 3 (three) Business Days after receipt of a demand under and in terms of the Guarantee and these Terms and Conditions. All payments under the Guarantee will *pro tanto* discharge the Issuer of its corresponding obligations to the Noteholders under the Notes.
- 4.3 The Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and rank *pari passu* among themselves and, save for certain debts required to be preferred by law, equally with all other present and future unsecured and unsubordinated obligations of the Guarantor.

#### 5. INTEREST

- 5.1 Interest on Fixed Rate Notes will be calculated on the Principal Amount of such Notes at the Interest Rate and paid on the Interest Payment Date(s) specified on the relevant Certificate. Interest is paid in respect of each successive Interest Period, in arrear, from (and including) the Issue Date to (but excluding) the Maturity Date on the basis of the actual number of days in the Interest Period and a year of 365 days.
- 5.2 Interest on Floating Rate Notes will be calculated on the Principal Amount of such Notes by the Calculation Agent in accordance with the method or formula, and paid on the Interest Payment Date(s), specified on the relevant Certificate. Interest is paid in respect of each successive Interest Period, in arrear, from (and including) the Issue Date to (but excluding) the Maturity Date on the basis of the actual number of days in the Interest Period and a year of 365 days.
- 5.3 Interest payable on Index Linked Notes will be calculated on the Principal Amount of such Notes by the Calculation Agent in accordance with the method or formula,

and paid on the Interest Payment Date(s) specified on the relevant Certificate. Interest is paid in respect of each successive Interest Period, in arrear, from (and including) the Issue Date to (but excluding) the Maturity Date on the basis of the actual number of days in the Interest Period and a year of 365 days.

- 5.4 If the Maturity Date of Extendible Notes is extended by the Issuer, the Interest Rate in respect of the Principal Amount Outstanding will be increased by the Step-up Margin, from and including the Maturity Date to but excluding the Actual Redemption Date.
- 5.5 The Calculation Agent will, in the case of Floating Rate Notes and Index Linked Notes, at or as soon as practicable after each time at which the Interest Rate is to be determined, determine the Interest Rate and calculate the Interest Amount for the relevant Interest Period. The Interest Rate shall be calculated on the following basis:
- 5.5.1 on the first Business Day prior to the beginning of each Interest Period (each the “**Interest Determination Date**”), the Calculation Agent will determine the specified bid/offer/mid-market rate for the specified Reference Rate which appears on the Relevant Screen Page at 12h00 on that day plus or minus the margin, if any;
- 5.5.2 if on any Interest Determination Date for any reason such rate is unavailable, the Calculation Agent will request each of the Reference Banks to provide its quotation to leading banks in the Johannesburg interbank market for deposits for the relevant term at 12h00 on that date. The Interest Rate for the relevant Interest Period shall be such quotation (if there is only one obtained) or the arithmetic mean (rounded, if necessary, to the fifth decimal place with 0,00005 being rounded upwards) of such quotations (if two or more are provided) plus or minus the margin, if any;
- 5.5.3 if the Calculation Agent is unable to determine the Interest Rate for an Interest Period in accordance with Condition 5.5.1 or 5.5.2, the Interest Rate for such Interest Period shall be the Interest Rate in effect for the last preceding Interest Period to which Condition 5.5.1 or 5.5.2 shall have applied plus or minus the margin, if any, for the current Interest Period;
- 5.5.4 if the Calculation Agent is unable to determine the Interest Rate for an Interest Period in accordance with Conditions 5.5.1, 5.5.2 or 5.5.3, the Interest Rate for such Interest Period shall be the rate calculated by the Calculation Agent in good faith and with reference to objective criteria after consultation with the Issuer.
- 5.6 The Interest Amount shall be calculated in respect of each Note by applying the Interest Rate to the Principal Amount and multiplying such product by the actual number of days in the Interest Period concerned divided by 365. The Calculation Agent shall calculate the Interest Amount in respect of a Note of ZAR1,000,000.
- 5.7 The Calculation Agent will, after calculating the Interest Rate and Interest Amount on each Interest Determination Date, cause the Interest Rate and each Interest Amount for each Interest Payment Date to be notified to the Issuer and the Paying Agent as soon as possible after the determination but not later than close of business on the next Business Day after such determination.
- 5.8 Upon each payment of interest in respect of interest-bearing Notes prior to the Maturity Date, the payment schedule on or attached to the relevant Certificate shall be duly completed to reflect such payment.
- 5.9 Each interest-bearing Note will cease to bear interest from its Maturity Date unless, upon due presentation thereof, payment of the Maturity Amount is improperly withheld or refused. In such event, interest will accrue at the Interest Rate from the

Maturity Date to the date on which all amounts due in respect of such Note have been paid.

- 5.10 All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5 by the Calculation Agent shall, in the absence of willful deceit, bad faith or manifest error be binding on the Issuer, the Paying Agent and all Noteholders, and no liability to the Issuer or the Noteholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.
- 5.11 In the event that Noteholders holding not less than 25% in aggregate of the Principal Amount of the Notes of a particular issue outstanding, deliver a written notice of objection to any determination made by such Calculation Agent to the Issuer within 2 Business Days of notification of the Interest Rate and Interest Amount, such determination shall not be regarded as final and upon such notification, the Issuer shall request the chief executive officer for the time being of BESA to appoint an independent third party to make such determination. Such third party shall make such determination promptly as an expert and not as an arbitrator and his/its determination shall, in the absence of wilful deceit, bad faith or manifest error, be binding on the Issuer and all Noteholders of that issue, and no liability to the Issuer or the Noteholders of such issue shall attach to such third party in connection with the exercise or non-exercise by him/it of the powers, duties and directions pursuant to this Condition 5. The cost of procuring and effecting such determination shall be borne by the:
- 5.11.1 Issuer in the event that the Interest Amount payable by the Issuer as a result of the determination of such third party is greater than the Interest Amount which would have been payable by the Issuer pursuant to the determination of the Calculation Agent; and
- 5.11.2 Noteholders of a particular issue disputing such determination by the Calculation Agent in the event that the Interest Amount payable by the Issuer as a result of the determination of such third party is less than the Interest Amount which would have been payable by the Issuer pursuant to the determination of the Calculation Agent or the determination of such third party confirms that of the Calculation Agent.

## 6. PAYMENTS

Only Noteholders reflected in the Register at 17h00 (South African time) on the relevant Last Day to Register shall be entitled to payments of interest and/or principal on the Notes on the relevant Interest Payment Date or Maturity Date, as the case may be, applicable to such Notes.

### 6.1 Method of Payment

- 6.1.1 Payments of interest and/or principal in respect of the Notes will be made by electronic funds transfer, in the currency which is reflected on the relevant Certificate.
- 6.1.2 All monies payable in respect of the Notes represented by a Certificate registered in the name of the CSD's Nominee shall be transferred by the Issuer to the Transfer Agent and paid by the Transfer Agent to the CSD's Nominee, as the registered holder of the Certificate, which payee shall in turn transfer such funds, via the Participants, to the holders of the Beneficial Interests. None of the Issuer or its agents nor the Guarantor shall be responsible for any loss in transmission of funds and no bank, whether acting as Paying Agent, Participant or otherwise, performing the electronic transfer of funds shall be deemed to be the agent of the Noteholders for the purpose of transmission of all payments of interest or principal on the Notes to the

Noteholders and/or the holders of any Beneficial Interest. The Guarantor shall not guarantee any loss of monies paid to or by the Transfer Agent and/or the CSD in respect of each Note.

- 6.1.3 If the Issuer is prevented or restricted directly or indirectly from making any payment by electronic funds transfer in accordance with the preceding paragraph (whether by reason of strike, lockout, fire, explosion, floods, riot, war, accident, act of God, embargo, legislation, shortage of or breakdown in facilities, civil commotion, unrest or disturbances, cessation of labour, Government interference or control or any other cause or contingency beyond the control of the Issuer), the Issuer shall make such payment by cheque (or by such number of cheques as may be required in accordance with applicable banking law and practice). Such payments by cheque shall be sent by post to the address of the Noteholder as set forth in the Register or, in the case of joint Noteholders, the address set forth in the Register of that one of them who is first named in the Register in respect of that Note.
- 6.1.4 Cheques may be posted by registered mail, provided that neither the Issuer nor the Transfer Agent shall be responsible for any loss in transmission and the postal authority shall be deemed to be the agent of the Noteholders for the purposes of all cheques posted in terms of this Condition 6.1.
- 6.1.5 In the case of joint Noteholders, payment by electronic funds transfer will be made to the account of the Noteholder first named in the Register. Payment by electronic transfer to the Noteholder first named in the Register shall discharge the Issuer or Guarantor, as the case may be, of its relevant payment obligations under the Notes.
- 6.1.6 Payments will be subject in all cases to any taxation or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9.

## 6.2 **Payment Day**

If the date for payment of any amount in respect of any Note is not a Business Day the holder thereof shall not be entitled to payment until the next following Business Day in the relevant place for payment and shall not be entitled to further interest or other payment in respect of such delay.

## 7. **REDEMPTION, PURCHASE AND CANCELLATION**

- 7.1 Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Principal Amount on the Maturity Date. Payment of the Principal Amount shall be made in terms of Condition 6.
- 7.2 The amount in respect of interest or principal payable on the Notes upon redemption shall be specified on the relevant Certificate or calculated in accordance with a method or formula specified on the Certificate.
- 7.3 The Issuer shall be entitled to extend the Maturity Date of all or part of the Principal Amount Outstanding of Extendible Notes. If such option is exercised by the Issuer in respect of part of the Principal Amount Outstanding of such Extendible Notes, then the Issuer shall redeem such portion of Notes not so extended at their Partial Redemption Amount and subject to any further extension, the redemption of the balance, being the Principal Amount Outstanding, will be extended to a date specified on the Certificate or otherwise notified to Noteholders. For the avoidance of doubt, the Issuer is not obliged to treat all Noteholders of Extendible Notes in the same manner.
- 7.4 The Issuer may at any time purchase Notes at any price in the open market or otherwise. Such Notes may be held, resold, surrendered for cancellation or dealt with in terms of the Terms and Conditions, subject to the restrictions of any law.



- 7.5 All Notes which are redeemed will forthwith be cancelled. All Certificates representing the Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 7.3, shall be forwarded to the Transfer Agent for cancellation.

## 8. **PRESCRIPTION**

The Notes will become void unless presented for payment of principal within a period of three years after the Maturity Date save that claims against the Issuer under any Certificate constituting a “*bill of exchange or other negotiable instrument*” in accordance with section 11 of the Prescription Act, 1969 will prescribe within a period of six years after the Maturity Date.

## 9. **TAXATION**

As at the date of this Programme Memorandum, all payments of interest and principal in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes or duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied by, or on behalf of, South Africa or any political subdivision or any authority in South Africa having power to tax, unless such withholding or deduction is required by law. In the event of any such withholding or deduction required by South African law in respect of Taxes imposed or levied on principal payments in respect of the Notes, the Issuer or the Guarantor, as the case may be, will pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders of the Notes after such withholding or deduction shall equal the respective amounts of principal which would otherwise have been receivable in respect of the Notes, as the case may be, in the absence of such withholding or deduction, except that no such additional amounts shall be payable with regard to any Note:

- 9.1 held by or on behalf of a Noteholder, who is liable for such Taxes or duties in respect of such Note by reason of it having some connection with South Africa other than the mere holding of such Note or the receipt of principal in respect thereof; or
- 9.2 held by or on behalf of a Noteholder which would not be liable or subject to the withholding or deduction by complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- 9.3 where (in the case of any payment of interest or principal which is conditional on surrender of the relevant Certificate in accordance with these Terms and Conditions) the relevant Certificate is presented or surrendered for payment more than 30 days after the due date for payment except to the extent that the relevant Noteholder would have been entitled to an additional amount as contemplated above on presenting the Certificate for payment for the period ending on such thirtieth day; or
- 9.4 if such withholding or deduction arises through the exercise by revenue authorities of special powers in respect of any taxes owing by the Noteholders; or
- 9.5 for which the relevant Noteholder will be entitled to obtain a credit from the relevant taxation authorities in respect of such withholding or deduction.

## 10. **EVENT OF DEFAULT**

### 10.1 **Event of Default**

An Event of Default in relation to any Note shall arise if any one or more of the following events shall have occurred and be continuing:

- 10.1.1 the Issuer fails to pay any interest and/or principal in respect of any of the Notes on the Interest Payment Date or Maturity Date, as the case may be, and such failure to pay continues for more than 3 (three) Business Days; or

- 10.1.2 the Issuer fails to perform or observe any of its other obligations under the Notes and such failure has continued for the period of ten days following the service on the Issuer of a written notice requiring that breach to be remedied; or
- 10.1.3 the Issuer, the Guarantor or any Material Subsidiary is placed in liquidation, dissolved or is wound-up, whether provisionally or finally and whether voluntarily or otherwise, or is placed under judicial management, whether provisionally or finally or any process similar thereto, or an order is made or an effective resolution is passed for the winding-up, dissolution or liquidation of the Issuer or the Guarantor or any Material Subsidiary, save for the purposes of a merger, amalgamation, consolidation, reconstruction or reorganisation within the Imperial Group; or
- 10.1.4 the Issuer, the Guarantor or any Material Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable compromise with creditors, liquidation, winding-up or insolvency or other similar laws or compromises or attempts to compromise, with its creditors generally (or any significant class of creditors) or any meeting of creditors is convened by the Issuer, the Guarantor or any Material Subsidiary to consider a proposal for an arrangement of compromise with its creditors generally (or any significant class of its creditors), save for any such initiation, consent, attempt or convening of a meeting which relates to a Material Subsidiary and is for the purposes of an internal reconstruction or reorganisation within the Imperial Group; or
- 10.1.5 proceedings are initiated against the Issuer, the Guarantor or any Material Subsidiary such that a person takes possession of the whole or a material part of the undertaking or assets of any of them, or an execution or attachment or other process is levied, enforced upon, sued out or put in force against the whole or a part of the undertaking or assets of any of them and such is not discharged within 30 days (thirty); or
- 10.1.6 the Guarantee as contemplated in Condition 4 is not in full force and effect and such failure has continued for more than 30 (thirty) days following the service on the Guarantor and the Issuer of a written notice requiring that failure to be remedied; or
- 10.1.7 the entire issued ordinary share capital of the Issuer ceases to be beneficially owned, whether directly or indirectly, by the Guarantor for reasons other than in terms of a merger, amalgamation, consolidation, re-construction or reorganisation on terms approved by an Extraordinary Resolution of Noteholders.

For purposes of Condition 10.1:

**“Material Subsidiary”** means a subsidiary of the Guarantor as defined in section 1(3) of the Companies Act, 1973 and which represents more than 10% of the total assets of the Guarantor as reflected in the Guarantor’s most recent consolidated Annual Financial Statements or accounts for more than 10% of the Guarantor’s total attributable operating profit, as reflected in the Guarantor’s most recent consolidated Annual Financial Statements.

**“Imperial Group”** means the Guarantor and its subsidiaries (as defined under section 1(3) of the Companies Act, 1973).

10.2 **Action upon Event of Default**

Upon the occurrence of an Event of Default, any Noteholder may, by written notice to the Issuer at its registered office, and the CSD, effective upon the date of receipt thereof by the Issuer declare the Notes held by the Noteholders to be forthwith due and payable whereupon those Notes shall become forthwith due and payable at the

Early Redemption Amount, together with accrued interest (if any) to the date of payment, provided that no such action may be taken by a Noteholder if the Issuer withholds or refuses to make any payment in respect of any Note in order to comply with any law or regulation of South Africa or to comply with any order of a court of competent jurisdiction.

## **11. DELIVERY, EXCHANGE AND REPLACEMENT OF CERTIFICATES**

- 11.1 Notes will be issued in the form of a Certificate which will be lodged and immobilised in the CSD.
- 11.2 An owner of a Beneficial Interest in the Notes represented by a Certificate registered in the name of the CSD's Nominee shall be entitled to exchange such Beneficial Interest for a Note in definitive registered form.
- 11.3 Any person becoming entitled to any Note in consequence of the holder of such Note being Liquidated may upon producing such evidence that he holds the position in respect of which he proposes to act under Condition 12 or as the Issuer or the Transfer Agent shall require, be registered himself as the holder of such Notes or, subject to the requirements of the Applicable Procedures, this Condition 11 and Condition 12, may transfer such Note. The Issuer and the Transfer Agent shall be entitled to retain any amount payable upon such Note to which any person is so entitled until such person shall be registered as aforesaid or shall duly transfer the Notes.
- 11.4 If any Certificate is mutilated, defaced, stolen, destroyed or lost it may be replaced at the registered office of the Transfer Agent, on payment by the claimant of such costs and expenses as may be incurred in connection therewith and the provision of such indemnity and security as may be reasonably required by the Issuer and/or the Transfer Agent to indemnify them against all claims whatsoever in the event that the Certificate alleged to have been stolen, destroyed or lost is found again. Mutilated or defaced Certificates must be surrendered before replacements will be issued and after replacements have been issued, such mutilated or defaced Certificates will be cancelled by the Transfer Agent.

## **12. TRANSFER OF BENEFICIAL INTERESTS AND NOTES**

- 12.1 Beneficial Interests may be transferred in terms of the Applicable Procedures.
- 12.2 In order for any transfer of Notes to be effected through the Register and for the transfer to be recognised by the Issuer, each transfer of a Note:
- (a) must be in the form of the Transfer Form;
  - (b) must be signed by the relevant Noteholder and the transferee, or any authorised representatives of that registered Noteholder and/or transferee;
  - (c) shall only be in the ZAR reflected on the Certificate or a multiple thereof and consequently the Issuer will not recognise any fraction of such denomination; and
  - (d) must be made by way of the delivery of the Transfer Form to the Transfer Agent together with the Certificate in question for cancellation or, if only part of the Notes represented by a Certificate is transferred, a new Certificate for the balance will be delivered to the transferor and the cancelled Certificate will be retained by the Transfer Agent.
- 12.3 The transferor of any Notes represented by a Certificate shall be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.
- 12.4 Before any transfer is registered all relevant transfer taxes (if any) must have been paid and such evidence must be furnished as the Transfer Agent may reasonably require as to the identity and title of the transferor and the transferee.

12.5 The Transfer Agent will, within 6 (six) days of receipt by it of a valid Transfer Form (or such longer period as may be required to comply with any applicable fiscal or other laws, regulations or Applicable Procedures), authenticate and deliver to the transferee (at the risk of the transferee) a new Certificate in respect of the Notes transferred.

12.6 No transfer will be registered while the Register is closed.

### 13. REGISTER

13.1 The Register shall be kept at the offices of the Transfer Agent. The Register shall reflect the number of Notes issued and outstanding. The Register shall contain the name, address, and bank account details of the registered Noteholders. The Register shall set out the aggregate Principal Amount of the Notes issued to such Noteholder and shall show the date of such issue. The Register shall show the serial number of Certificates issued in respect of the Notes. The Register shall be open for inspection during the normal business hours of the Transfer Agent to any Noteholder or any person authorised in writing by any Noteholder. The Transfer Agent shall not be obliged to record any transfer whilst the Register is closed. The Transfer Agent shall not be bound to enter any trust into the Register or to take notice of or accede to any trust executed, whether express or implied, to which any Note may be subject. The Register shall be closed from the Last Day to Register until each Payment Day of interest or principal in respect of the Notes.

13.2 The Transfer Agent shall alter the Register in respect of any change of name, address or bank account number of any of the registered Noteholders of which it is notified in accordance with these Terms and Conditions.

13.3 No holder of a Beneficial Interest or any other beneficial owner of any Note shall be entitled to apply for rectification of the Register to reflect such person as the Noteholder in respect of the relevant Note and it shall be a condition of the acquisition of such Beneficial Interest or beneficial ownership that no right of rectification as such shall exist.

### 14. PAYING AGENT, CALCULATION AGENT AND TRANSFER AGENT

14.1 The names of the Paying Agent, Calculation Agent and Transfer Agent and their specified offices are set out below.

14.2 The Issuer (with the written consent of the Guarantor) is entitled to vary or terminate the appointment of the Paying Agent, Calculation Agent, Transfer Agent and/or appoint additional or other agents and/or approve any change in the specified office through which any agent acts, provided that there will at all times be a Paying Agent, Calculation Agent and Transfer Agent with an office in such place as may be required by the Applicable Procedures. The Paying Agent and Calculation Agent act solely in such capacities as the agents of the Issuer and do not assume any obligation towards or relationship or agency of trust for or with any Noteholders.

### 15. NOTICES

15.1 Notices to Noteholders of a particular issue, represented by a Certificate in definitive registered form, shall be sent by registered mail or delivered by hand to their addresses appearing in the Register. Notices to holders of Beneficial Interest in Notes of a particular issue, represented by a Certificate held by the CSD, shall be delivered to the CSD for communication by them to such Noteholders of Beneficial Interest.

15.2 Any such notice shall be deemed to have been given on the seventh day after the day on which it is mailed and on the day of delivery, if delivered. Unless the Notes are held through the CSD, notices to Noteholders of a particular issue, shall also be published:

- 15.2.1 in an English language daily newspaper of general circulation in South Africa; and/or
- 15.2.2 a daily newspaper of general circulation in Johannesburg,
- and any such notices shall be deemed to have been given and received on the date of first publication. All notices to Noteholders shall be copied at the time of delivery to the Guarantor.
- 15.3 A notice to be given by any Noteholder of a particular issue to the Issuer shall be in writing and given by lodging (either by hand delivery or posting by registered mail) that notice, together with a certified copy of the relevant Certificate, with the Transfer Agent and the Participant, respectively, at its specified office. A notice may be given by any holder of a Beneficial Interest in Notes of a particular issue represented by a Certificate to the Issuer via the relevant Participant in accordance with the Applicable Procedures, in such manner as the Issuer and the relevant Participant Agent may approve for this purpose. Such notices shall be deemed to have been received by the Transfer Agent, if delivered by hand, on the second Business Day after being hand delivered, or, if sent by registered mail, seven Business Days after posting.

**16. MODIFICATION**

The Dealer, the Issuer and the Guarantor may agree, without the consent of the Noteholders, to:

- 16.1 any modification of the Terms and Conditions which is not prejudicial to the interests of the Noteholders; or
- 16.2 any modification of the Terms and Conditions which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

Any such modification shall be binding on the Noteholders and shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

**17. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders to issue further Notes under the Programme.

**18. GOVERNING LAW**

The provisions of the Programme Memorandum, the Notes and the Guarantee are governed by, and shall be construed in accordance with, the laws of South Africa.

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## USE OF PROCEEDS

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*Words used in this section entitled "Use of Proceeds" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context*

For the purposes of the commercial paper regulations published in Government Gazette Number 2172 (Government Gazette 16167) of 14 December 1994 under paragraph (cc) of the definition of "the business of a bank" in Section 1 of the Banks Act, 1990 (the "**Commercial Paper Regulations**"), it is recorded that the Ultimate Borrower (as defined in the Commercial Paper Regulations) of the net proceeds from the issue of Notes will be the Issuer.

The net proceeds from the issue of Notes will be applied by the Issuer for the funding of its business operations.

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## DESCRIPTION OF THE IMPERIAL GROUP

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### 1. OVERVIEW

Imperial Holdings Limited, a limited liability company incorporated and registered in the Republic of South Africa on 15 March 1946 with registration number 1946/021048/06 (“**Imperial**”) and its subsidiaries (collectively the “**Group**”) are active in the transport and related services industries both in the Republic of South Africa (“**South Africa**”) and abroad. Imperial has interests in Europe, the United Kingdom (“**UK**”), Ireland, Australia and Southern Africa. Imperial Group (Proprietary) Limited is a wholly owned subsidiary of Imperial.

Imperial’s activities include a wide range of services relating to transportation and mobility in its broader context, including transportation and logistics, vehicle and forklift leasing and fleet outsourcing, aviation leasing and sales, car rental and tourism, motor vehicle importation and distribution, motor vehicle retailing and a related financial services arm including short term insurance, life assurance services and, via its 49.9% shareholding in Imperial Bank Limited (“**Imperial Bank**”), banking.

Imperial enjoys sole or joint market leadership as measured by assets, turnover and profits in most of its businesses in South Africa, except for its financial services operations which are positioned in specific niche markets.

Imperial’s business model emphasises decentralised management. The autonomy and independence this provides to its operating divisions promotes entrepreneurship and empowers its managers to configure their businesses to meet the needs of their own markets. The Group’s companies are loosely integrated, both vertically and horizontally, each component supporting the others to extract profit at each stage of the “*value chain*”. Within its chosen field of transport – or “*mobility*” – and related services, management’s strategy is to ensure a well diversified portfolio of businesses, providing some protection against movements in interest rates and currency fluctuations at Group level.

### 2. GROWTH STRATEGY

Imperial is managed with a determined strategy for growth. The successful application of this strategy is evidenced by its long history of consistent growth in revenue, assets and earnings per share. As all divisions are regarded as core businesses, opportunities for growth are sought throughout the Group. Resources are firstly applied to well-trusted organic growth opportunities and thereafter to acquisitions. Acquisitions are required to match the Group’s profile in terms of its competence in managing and funding the acquired business. Currently opportunities exist in Southern Africa, which is Imperial’s home market, as well as selected offshore markets where many of Imperial’s businesses have logical international extensions, such as in logistics, aviation, tourism and leasing.

### 3. HISTORY

Imperial was established in 1946 as a single service station in Johannesburg, South Africa. It has since grown into a substantial group in terms of assets and revenue within South Africa. The Group is well positioned to leverage its size and growing critical mass to become a significant international transport and related services business.

Imperial obtained its first new car franchise in 1963 and its first truck franchise ten years later. Rental activities commenced in trucks in 1975 and in passenger cars in 1979. The commercial transport business was started in 1981.

In 1987, Imperial was listed on the Johannesburg Stock Exchange Limited (“**JSE**”) the South African securities exchange, with a market capitalisation of R38.5 million. In the same year, Imperial’s car rental division merged with Hertz SA and its associated leasing businesses.

In 1989, Regent Insurance Company Limited (“**Regent Insurance**”) was established to form the foundation for a comprehensive motor vehicle financial services business within South Africa. Regent Life Assurance Company Limited (“**Regent Life**”), a life assurance company in South Africa, was formed in 1994.

In 1995, Imperial acquired Saficon Industrial Equipment (Proprietary) Limited (“**SIE**”) as part of the Saficon Group. SIE is the exclusive distributor of Toyota forklifts for South Africa, Swaziland, Lesotho, Botswana and Namibia. Imperial also obtained the Renault car distributorship for South Africa. In December 2002, Imperial subsequently sold 51% of the Renault distributorship to Renault France.

In 1996, Imperial established Imperial Bank Limited, a bank in South Africa, and, in 2001, Imperial sold 50.1% of Imperial Bank to Nedbank Limited, a major South African commercial bank.

In 1999, Imperial acquired Safair (Proprietary) Limited (“**Safair**”) and, in 2000, it acquired National Airways and Finance Corporation (Proprietary) Limited (“**NAC**”), to form the aviation division.

During 2000, Imperial established Imperial Logistics International, with its headquarters in Duisburg, Germany, when it acquired the world-wide logistics operations of the ThyssenKrupp Group in Germany. This business was later augmented by the acquisition of Haniel Reederei, a dominant barge operator on Europe’s inland waterways (now Imperial Reederei).

In 2002, Imperial acquired 65% of Tourism Investment Corporation Limited (“**Tourvest**”), significantly increasing the Group’s presence in the tourism industry. Subsequently Imperial’s share of the issued share capital of Tourvest has increased to 67% primarily as a result of share buy-backs by Tourvest.

Safair Lease Finance (Proprietary) Limited (“**Safair Lease Finance**”), a joint venture between Imperial and Sanlam Limited, a major South African Insurance Company, was established in 2002. Safair Lease Finance was established to facilitate the continued growth of the aviation business while alleviating much of the associated pressure on the Imperial balance sheet.

In 2003, Imperial Leasing and Rental (Proprietary) Limited (“**Imperial Leasing and Rental**”), a 100% subsidiary of Imperial, was established as an in-house asset-acquiring company. The car rental fleet and certain trucks and trailers of the Logistics division were acquired. The company changed its name to Imperial Capital Limited in 2005.

In March 2004, Imperial concluded a transaction with Ukhamba Holdings Limited (“**Ukhamba Holdings**”), a black-owned company established by Imperial some years earlier, through which Ukhamba Holdings acquired a stake of 10.1% in Imperial.

In June 2005, Imperial concluded a transaction with Lereko Mobility (Proprietary) Limited (“**Lereko Mobility**”) by way of the issue of preferred ordinary shares. Lereko Mobility acquired 7.25% of Imperial’s ordinary shares in a transaction valued at R1.4 billion.

In 2005, Imperial entered the Australian car dealership market with the acquisition of nine Ford dealerships in the metropolitan areas of Sydney. The acquisition made Imperial the largest Ford dealer in Australia.

In November 2005, Imperial acquired a controlling interest in MCC Plant Hire (Proprietary) Limited (“**MCC Plant Hire**”) and MCC Contracts (Proprietary) Limited (“**MCC Contracts**”), being the largest mining and road building equipment rental and contract mining companies in South Africa.

In February 2006, Imperial acquired a group of companies in the United Kingdom from RAC plc for a total consideration of approximately £50 million on a debt free basis. The businesses included Lex Commercials, a dealer in DAF trucks and LDV vans, operating 22 dealerships and workshops, Lex Auto Logistics, based near Manchester, engaged in



auto parts warehousing and distribution, Lex Fleetserve, a niche logistics service provider of supply chain services to selected user groups, and Lex Multipart Defence, a provider of outsourcing and warehousing services to the UK defence sector. The businesses were subsequently re-named Imperial Commercials, Multipart Logistics and Multipart Defence, respectively.

In 2006, Imperial announced the acquisition of a controlling interest in Jurgens Caravans, subject to Competition Authority approval. Jurgens is the leading manufacturer of caravans in South Africa.

In December 2006, Imperial acquired the entire issued share capital of Terex Africa (Proprietary) Limited, the distributor for Sub-Saharan Africa of a comprehensive range of construction, mining, road building and other equipment. Terex is the third largest manufacturer of mining and construction equipment in the world.

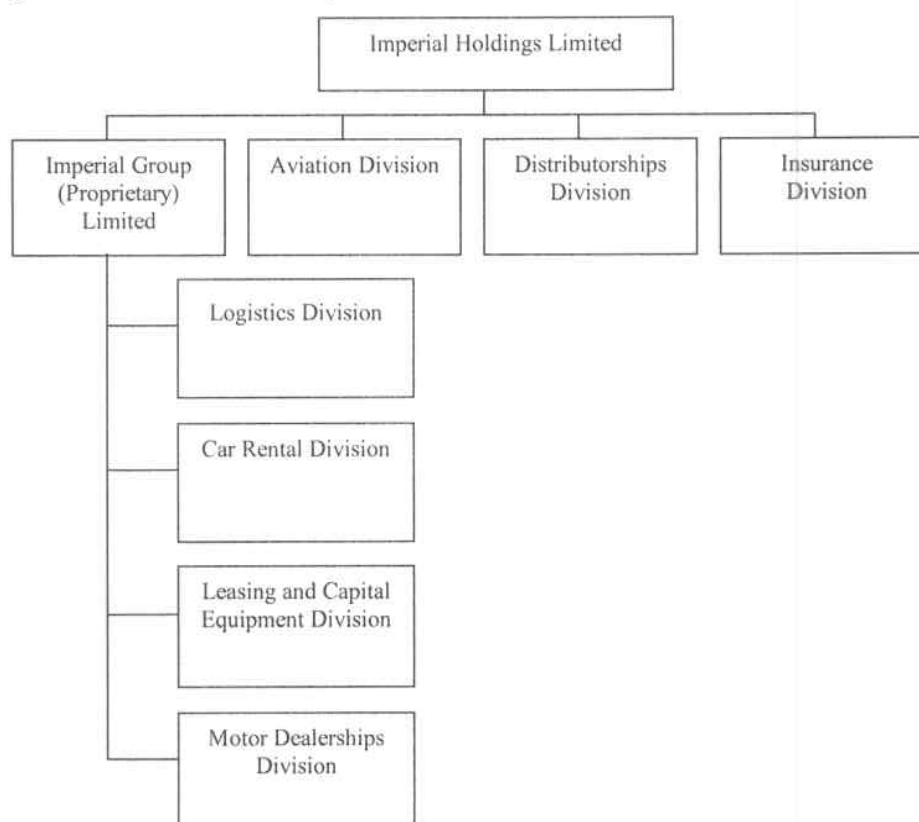
In January 2007, Imperial was awarded the distribution rights of New Holland Kobelco Construction Machinery for Southern Africa. New Holland Kobelco offer a comprehensive range of construction, mining and road building equipment and is the fourth largest manufacturer such equipment in the world.

#### 4. OWNERSHIP OF IMPERIAL

Shareholdings of more than 5% (at 30 September 2006)	Number of shares (000)	% of issued capital
Public Investment Corporation	42 503	19.27
Old Mutual Life Assurance Company (SA) Limited	11 393	5.17
Ukhamba Holdings (Proprietary) Limited	22 755	10.32
Lereko Mobility (Proprietary) Limited	14 517	6.58

#### 5. IMPERIAL GROUP ORGANISATIONAL STRUCTURE

The organisational structure of Imperial's divisions is set out below:



## 6. ACTIVITIES OF IMPERIAL

Imperial's business activities are structured into the following seven business divisions of which the Logistics, Leasing and Capital Equipment, Car Rental and Tourism, Motor Dealerships and a portion of the Distributorships division fall under Imperial Group (Proprietary) Limited and the Insurance, Banking and Aviation divisions fall directly under Imperial.

### 6.1 Logistics

Imperial Logistics is the largest land-based provider of logistics services in Southern Africa measured by turnover and assets, providing integrated solutions to a wide range of blue chip customers. The division is a significant participant in the operation of intermodal logistics solutions in Europe, with a focus on waterway transportation, terminal operations and contract logistics services.

In Southern Africa, the logistics operations focuses on providing high quality logistics solutions to its customers, encompassing all the elements of land-based supply chains, including local and long-distance road transport, refrigerated and tanker transport, warehousing and distribution services and related value added services such as supply chain management and just-in-time activities.

In Europe, Imperial Logistics International is engaged in contract logistics, warehousing, shipping and related value added services through the following:

- Panopa Logistik, a contract logistics provider, specialises in highly complex logistics services focused on automobile, steel and spare parts logistics with a blue chip customer base including, *inter alia*, DaimlerChrysler, BMW, Opel, Porche, Volkswagen, Terex, ThyssenKrupp and EKO Stahl;
- neska is a market leader for transshipment and warehousing along the river Rhine and the European market leader in ferro-alloy handling and has large storage and warehousing facilities in Germany and Belgium;
- Imperial Reederei, operates bulk cargo and container shipping in European river and canal systems and is the European market leader for inland waterway shipping measured in tonnage transported per annum; and
- Brouwer Shipping is involved in the broking and chartering of ocean shipping.

### 6.2 Leasing and Capital Equipment

The leasing division is a large participant in value-added full maintenance leasing and capital equipment services for passenger and commercial vehicles to public and private sector customers in Southern Africa and through its controlling interests in MCC Plant Hire and MCC Contracts, the largest mining, earth moving and road building equipment rental companies in South Africa. The division also includes the forklift leasing businesses in South Africa and the UK.

The strength of the vehicle full maintenance leasing and capital equipment business, which is the market leader by number of units leased, is the ability to provide supplementary value added solutions incorporating comprehensive insurance, accident management services, procurement, disposals, fleet administration and fuel. In addition, used vehicle retailing is also offered.

Forklift leasing occurs through SIE, the exclusive South African distributor for Toyota Industrial Equipment of Japan, with branches in all major centres in South Africa, dealing directly with end users. Forklift leasing is a fully integrated business selling, leasing, renting, supplying parts, servicing and dealing in new and used forklifts. This division also holds distributorship rights for the Swedish Kalmar large lifting capacity forklifts and container handling equipment as well as

BT Warehousing products. In the UK, forklift leasing services are provided by Impact Fork Trucks Limited.

In December 2006, Imperial acquired the entire issued share capital of Terex Africa (Proprietary) Limited, the distributor for Sub-Saharan Africa of a comprehensive range of construction, mining, road building and other equipment. Terex is the third largest manufacturer of mining and construction equipment in the world.

In January 2007, Imperial was awarded the distribution rights of New Holland Kobelco Construction Machinery for Southern Africa. New Holland Kobelco offer a comprehensive range of construction, mining and road building equipment and is the fourth largest manufacturer such equipment in the world.

### 6.3

#### Aviation

The Aviation division operates a fleet of large aircraft that are leased on short or long-term value-added contracts in South Africa and internationally. It also manages and operates general aviation aircraft and sells both new and used aircraft. It has large maintenance facilities and offers many related services.

The Aviation division consists of Safair, the Air Contractors Group (the Group's Irish business based in Dublin), 60% of Naturelink and 62% of NAC.

The division's assets are well balanced in terms of the type, age and configuration of the fleet as well as its customer base in terms of geographical spread, industry type, lease terms and types of leases. The division also engages in specialized contracts, humanitarian aid and relief work.

Its passenger aircraft are operated by various airlines around the world, including South African Airways ("SAA"), British Airways operated by Comair, Jet Airways (India) and others. Freighter aircraft are operated for Imperial Air Cargo as well as for SAA Cargo on domestic express parcel-freight services and by Air Contractors in Ireland on express parcel-freight services in Europe for, *inter alia*, FedEx, Royal Mail, Europe Air Post. The Hercules fleet operates internationally on specialist contracts for the World Food Programme, The United Nations, oil spill response companies in Europe and East Asia and the Italian Antarctic Research programme.

Safair Lease Finance, a joint venture between Imperial and Sanlam Limited, with Sanlam Capital Markets Limited ("**Sanlam Capital Markets**") owns a further 15 large aircraft which are leased to clients such as SAA, DHL and KLM.

Naturelink performs contract operations and charters with owned and managed fleet aircraft. They provided extensive services to numerous aid and disaster relief organizations during the Indonesian Tsunami and Pakistan earthquake disasters, utilising their own fixed wing aircraft as well as helicopters sourced from NAC.

NAC is headquartered at Lanseria Airport in Johannesburg and operates a network of branches in Cape Town, Durban, Pretoria and Rand Airport in Johannesburg. NAC has branches in Botswana, Angola and Kenya, as well as Oxford Airport in the UK, Dubai (UAE), Perth (Australia) and Wichita (USA). NAC manages and operates a fleet of business jets, commuter aircraft, light aircraft and helicopters. NAC is a master dealer for Raytheon Aircraft Company, the manufacturers of Beechcraft and Hawker products in Africa, the UK, Ireland, the Channel Islands and the Middle East, an independent representative for Bell Helicopter in Southern Africa and a number of African countries, a dealer for Robinson Helicopter in South Africa and a Tecnam light aircraft agent in South Africa. It operates an integrated aviation services business including sales of new and used aircraft, aircraft maintenance, refurbishment, avionics, parts, sales, chartering, contract flying and pilot training through 43 Air School, the largest flight training school in the Southern hemisphere.

### **Car Rental and Tourism**

The key business areas of this division are car rental, tourism and support businesses such as used car dealerships, panel-beaters, chauffeur drive and airport VIP parking services.

#### ***Car Rental***

Imperial handles approximately 31% of all car rentals processed in South Africa and services this market through a number of car rental brands which include Imperial Car Rental, Europcar, Tempest/Sixt and Holiday Autos. The car rental fleet is purchased from local vehicle manufacturers as well as from Imperial's vehicle distributors and dealers.

The vehicles are leased from Imperial Capital Limited ("**Imperial Capital**"), a wholly-owned subsidiary of Imperial, which finances the purchases through a South African Domestic Medium Term Note Programme (DMTN) by issuing notes in the debt capital markets or from bank facilities for short-term bridging finance purposes.

The vehicles are maintained and repaired through workshops owned by the Car Rental & Tourism division as well as external motor dealers. Five panel-beating shops and four speedshops are used to repair both car rental and third party motor vehicles. Vehicles are self-insured with appropriate catastrophic risk insurance placed into the reinsurance market through the Group owned Regent Insurance Company.

The size and mix of the fleet is optimized through the use of reliable used car sales outlets in the Imperial Group under the established Auto Pedigree brand name. As at the end of June 2006, Auto Pedigree had 65 outlets in South Africa. Other value added products of Imperial Group are also availed of, such as comprehensive motor insurance, extended warranty insurance, credit life and shortfall insurances. Buy-back arrangements with the manufacturers are also available in addition to this channel with the number of vehicles on buy-back depending on the make and model of the vehicle and expected market conditions.

The car rental business caters for the corporate traveller who accounts for 57% of rentals as well as the leisure market. The growth in the corporate car rental business is largely dependent on economic growth where tourism and disposable income influence the leisure rentals. Inbound tourism accounts for 25% of leisure rentals and is influenced by the exchange rate and global tourism trends which in turn depend on political stability.

Imperial's car rental clients include in excess of 2 000 large corporations and in excess of 2700 small to medium enterprises and the general public. This client mix provides for diversity and benefits of portfolio management.

#### ***Tourism***

Imperial owns a 67% share in Tourvest, a JSE listed tourism company, as well as a number of wholly owned tourism related businesses.

Tourvest offers inbound and outbound travel, travel related financial services, retail merchandise and inflight duty-free sales. Inbound services offer a range of tour operations and products to foreign tourists. The outbound services focus on the South African business and consumer travel markets. Seekers Travel is a major travel agent servicing mainly the corporate and business sector. The financial services business supplies foreign exchange services under the American Express Foreign Exchange brand, and retail merchandise operations include a range of high-end jewellery and tourist curio businesses, as well as inflight duty-free services on airlines such as SAA, Air Kenya and Virgin Atlantic for all their respective routes. In January 2005, Tourvest acquired three businesses which are

engaged in game drives and leisure activities in Botswana and Zambia, and acquired the Cummings Travel agency in South Africa in February 2006.

South Africa has some 800 inbound tour operators and it is estimated that the Tourvest/Imperial Group has approximately 20% of this fragmented market. The most significant brands in the Imperial Group are Crown Travel, Felix Unite Tours, Holiday Africa, Welcome Tourism Services, Wilson Collins Travel, Springbok Atlas, Grosvenor Tours, Gold Reef Guides and Eastgate Safaris and Transfers. There is also a business trading with the Maui and Britz brands specialising in the rental of 4 x 4 vehicles and camper vans. This business is focused on visiting foreign tourists, mainly from Germany. With the division's spread of businesses, as well as its presence in the foreign exchange market and its network of retail stores, Imperial is well placed to benefit from the fast growing tourism industry.

## 6.5 **Distributorships**

The Group's vehicle distribution activities include Daihatsu, Kia, Hyundai, Citroën, Bentley, SsangYong, Lotus and Proton brands in South Africa, each operating through a separate legal entity that is independently managed. The division also owns nine Ford dealerships in Australia. In June 2001, Imperial established the South African distributorship for Citroën through its black empowerment partners. In December 2002, Imperial sold 51% of the Renault distributorship to Renault France and Imperial's 49% share in Renault South Africa is now accounted for as an associate company.

Imperial is the largest independent importer of motor vehicles in South Africa as measured by the number of imported vehicles sold annually. Vehicles are predominantly sold through Imperial's own dedicated dealership networks for each distributor brand which dealership networks are in addition to and separate from the brands serviced by the motor dealership division dealt with below.

Imperial is the South African national distributor for Renault, International, Peterbilt and DAF trucks. Vehicles are sold through Imperial's six Tyco Truck dealerships. The Distributorship divisions' dealership network refers a portion of its financing leads to Imperial Banks' Motor Finance Corporation.

Imperial's motorcycle distributors account for approximately 18% of all the motorcycle sales in South Africa. KMSA (Proprietary) Limited was acquired by Imperial in January 2004 and includes Kawasaki, Triumph, PGO Scooters and Hyosung. In October 2004, ItalMoto (Proprietary) Limited was acquired by Imperial, and includes the Husqvarna, Cagiva and MV Agusta brands. In October 2005, Imperial was awarded the distribution rights for the Chinese Zoncheng brand. Imperial also distributes motorcycle related merchandise and apparel such as helmets and clothing.

During 2005, the Group was appointed distributors of India's TATA passenger and light commercial vehicles in partnership with Tata Motors (India) and Ukhamba Holdings.

Since April 2006, the results of the UK-based Imperial Commercials and Multipart Logistics, which consists of 22 DAF truck dealerships and a part logistics business, are reported in the Distributorships division.

## 6.6 **Motor Dealerships**

This division consists of franchised dealerships and used car outlets that sell and service motor vehicles through 106 dealerships in South Africa and four Nissan dealerships recently acquired in Sweden. The dealerships hold franchises for Alfa, Audi, BMW, Chrysler and Jeep, Fiat, Ford, Honda, Isuzu, Jaguar, Land Rover, Mazda, Mercedes-Benz, Mitsubishi, Nissan, Opel, Renault, Toyota, Volkswagen, Seat and Volvo.

According to National Association of Automobile Manufacturers of South Africa figures, this division holds market shares of approximately 15% of South African national dealer sales for Nissan and DaimlerChrysler products and just under 20% for the Volkswagen and Audi brands. For other motor vehicle brands, the division holds market shares not exceeding 10% of national dealer sales.

The division earns significant revenue from after sales services and from providing financial services opportunities to the Group's insurance and banking interests.

The division is also diversifying into related accessories businesses with the acquisition of Beekman Canopies in June 2006 and the acquisition of Jurgens Caravans.

6.7

### **Insurance**

#### ***Regent Life Assurance***

Regent Life Assurance provides credit life assurance in relation to vehicle finance arrangements marketed throughout the Group and through other motor dealers. Regent Life Assurance also provides limited individual and group life cover. Apart from the countrywide South African operation, it has a subsidiary in Botswana and a small interest in a life assurance company in Namibia.

Regent Life Assurance is currently one of the four largest insurers in the motor credit life market as measured by customers in the motor dealership market.

#### ***Regent Insurance Company***

The Regent Insurance Company is an underwriter of comprehensive motor and commercial vehicle insurance, as well as other personal lines and commercial insurance. A large portion of its business is sourced through the Group dealership network and from established vehicle finance banks.

In 1997, Regent Insurance Company commenced underwriting general aviation, heavy commercial vehicle, transit, marine freight, travel, engineering and certain specialist liability insurances, linked to the Group connections, all of which are supported by suitable reinsurance programmes. Regent Insurance Company also launched a warranty administration business during 2001.

During 2005, the division acquired a 60% interest in Lesotho National Insurance Holdings. Regent Insurance Company also has a subsidiary in Botswana.

#### ***Imperial Reinsurance***

Imperial Reinsurance was established recently to provide reinsurance cover to the insurers, principally for motor and allied risks.

6.8

### **Associates and Joint Ventures**

Imperial works in conjunction with a variety of partners who enhance the Group's performance or assist in the development of new business initiatives.

#### ***Imperial Bank***

Imperial Bank, established as a wholly owned subsidiary in 1995, is predominantly an asset-based finance bank financing passenger and commercial vehicles, 40% of which is sold through the Group. From 2001, Imperial Bank became a subsidiary of Nedbank Limited, with Imperial retaining a 49.9% shareholding. Imperial Bank's original area of operation was motor finance initiated by motor dealerships. Whilst this remains the bank's core business, it has since branched out into the financing of a selection of other assets such as aircraft, real estate, medical equipment and corporate assets. The business strategy is to focus on increasing its motor finance business as well as developing its property finance business by focussing on residential development and commercial property, as well as medical finance.

As at the end of 2006, motor finance made up the majority of advances (60%) followed by real estate finance (17%), supplier asset finance (13%) and medical equipment (10%).

Imperial Bank currently employs experts in each asset class financed, to monitor the bank's risk and to advise clients on the best financing methods.

Imperial is represented in the major metropolitan areas within South Africa.

#### ***Safair Lease Finance***

Safair Lease Finance is an aircraft dry leasing company. It is a 50/50 joint venture between Imperial and Sanlam Limited, the financial services group through its investment banking arm, Sanlam Capital Markets.

#### ***Ukhamba Holdings***

Ukhamba Holdings is Imperial's empowerment partner. Ukhamba Holdings is an investment holding company, with investments in a range of businesses. It was started in 1999 with R15 million seed capital provided by Imperial and was valued in excess of R1,5 billion in 2005. Imperial holds 46.9% of Ukhamba Holdings, with the controlling stake owned by the historically disadvantaged employees within the Group.

#### ***Renault South Africa***

In December 2002, Imperial disposed of 51% of its shareholding in Renault Importer and Distribution (Proprietary) Limited with 13 motor vehicle dealerships to Renault France.

As at 31 December 2006, Renault SA, the new entity that was formed, is 51% owned by Renault France and 49% by Imperial with 16 dealerships.

#### ***Tata South Africa***

The Group started distributing Tata passenger and light commercial vehicles in October 2004. This venture is in partnership with Tata Automobile Corporation (SA) and Ukhamba Holdings and has proved highly successful, experiencing strong growth in sales and the brand's market penetration is ahead of expectations.

## **7. SOUTH AFRICAN BLACK ECONOMIC EMPOWERMENT**

The South African government's broad-based black economic empowerment ("BEE"), legislation (embodied in the South African Broad-based Black Economy Empowerment Act, 2003 or the "SABEE Act") aims to address inequalities resulting from the exclusion of most South Africans from meaningful participation in the economy prior to 1994. The main governmental vehicle for BEE has been the Codes of Good Practice issued under the SABEE Act (the "BEE Codes"), which are in the process of being finalised to take into account public comments. Because all the BEE Codes are not final, there may be changes to the BEE Codes requiring additional compliance measures.

### **7.1 Imperial's BEE policy**

Imperial sees BEE as a multifaceted and integrated process which, in line with a recently published draft Government policy, includes such aspects as human resources development, employment equity, enterprise development, preferential procurement as well as investment, ownership and control of enterprises and economic assets.

BEE is viewed as a strategic imperative within the Group and for this reason is managed and co-ordinated at executive level. Societies with entrenched racially or ethnically defined disparities are unlikely to be politically and socially stable, and economic growth and stability is unlikely in such an environment. It is therefore critically important that the process of economic transformation be accelerated in order to bring the majority of black South Africans into the mainstream economy,

not only by providing employment but also to give them meaningful economic participation and to share increasingly in wealth creation resulting from economic activities.

Imperial's Black Economic Empowerment policy is based on the following principles:

- Imperial accepts the economic contribution of individual entrepreneurship given the socio-economic make up of the South African society and believes Black Economic Empowerment should be broad based and as inclusive as possible in order to ensure that previously disadvantaged communities benefit as widely as possible from Black Economic Empowerment initiatives.
- Imperial sees the empowerment of its own Historically Disadvantaged South African ("HDSA") employees and their families as a priority and also accepts that as a responsible corporate citizen it has a role to play in the empowerment and social upliftment of the broader community.
- Imperial accepts that real Black Economic Empowerment can only be achieved through increased economic growth and the continued growth of its business therefore remains a priority. Without sufficient growth Black Economic Empowerment will be relegated to mere wealth redistribution.
- Human Resource Development and skills transfer is a critical component of Black Economic Empowerment and underpins the successful implementation of any Black Economic Empowerment programme. Black employees and entrepreneurs will not be able to successfully manage and control enterprises unless they are provided with the required skills.
- Imperial recognises its responsibility towards its shareholders to continually provide an attractive return on their investment and that Black Economic Empowerment initiatives should remain cognisant of the interests of shareholders as stakeholders in the business.
- Imperial supports the system of industry charters which are being developed by Government. It therefore actively participates in processes for the development of charters for the industries in which it operates. Group companies strive to achieve charter targets where charters have been developed for the industries in which these companies operate.

The primary components of Imperial's Black Economic Empowerment Programme are summarised below:

The transformation efforts of Imperial were however not concentrated solely on equity but also extended to all other areas of the business from enhancing representation at board level to areas such as BEE procurement and skills development, which was given priority during the year. The Group is committed to transformation and empowerment and will continue to pursue and enhance all facets of empowerment in its businesses.

## 7.2

### **Equity Ownership**

The South African government has set certain targets for equity ownership by black people through industry charters as well as the draft BEE scorecard issued by the Department of Trade and Industry. Imperial recognises that a substantial increase in the number of black people who have ownership and control of enterprises is a critical factor in the successful implementation of BEE.

In March 2004, Imperial concluded a transaction with Ukhamba Holdings, a black owned company established by Imperial some years ago, by which Ukhamba acquired a stake of 10.1% in Imperial. Ukhamba has appointed two representatives to the Imperial Board of Directors.



In June 2005, Imperial concluded a transaction with Lereko Mobility whereby Lereko Mobility became the owners of approximately 6.5% of the company's equity in a transaction valued at R1.4 billion. Lereko has appointed two representatives to the Imperial board of directors (the "**Board**").

Besides the direct black ownership of 16.6%, independent studies indicate that Imperial's aggregate indirect effective BEE shareholding, held through a number of institutional shareholders who manage and administer funds on behalf of HDSAs, is currently in excess of 20%. Imperial's aggregate direct and indirect BEE shareholdings meet the requirements of most finalised BEE charters as well as those draft charters that are still being negotiated.

### 7.3

#### **Enterprise Development**

##### ***Amasondo Fleet Services (Proprietary) Limited ("Amasondo")***

Amasondo is jointly owned by Ukhamba Holdings (Proprietary) Limited (51%) and Imperial (49%).

Imperial provides its full strategic and financial backing to ensure Amasondo's continued growth as a BEE enterprise of stature in Southern Africa. Amasondo aims to be recognised as a leading fleet service company with committed and loyal customers in Southern Africa. It is already a service provider to a number of large customers.

##### ***Ukhamba Holdings***

Ukhamba Holdings (Proprietary) Limited was formed in 1998 by the Group in order to support and create financial security for Imperial's Black, Indian and Coloured employees and to encourage them to participate in business and benefit economically from the Group's operations. Imperial owns 46.9% of Ukhamba Holdings and provided R15 million as seed capital to help Ukhamba make meaningful investments. The Ukhamba Trust, which owns 47.1% of Ukhamba Holdings, benefits 15 000 Black, Indian and Coloured employees of the Group and 6% of Ukhamba Holdings benefits previously disadvantaged communities through the Imperial and Ukhamba Community Development Trust.

When Ukhamba was established, there were 15 000 Black, Indian and Coloured employees working within the Imperial group. In the interest of these employees, two financial schemes were developed to empower them financially for the future.

##### **A Scheme**

This scheme is a voluntary BEE investment scheme to enable employees to purchase units and become beneficiaries in the Ukhamba Trust. Ukhamba has investments in 15 entities, some as co-shareholders with Imperial and others on their own.

Currently the value of a unit is R315, and this value has grown continuously from the original R50 per unit. To make it affordable for employees, they can purchase a fraction of a unit for the minimum price of R50 per month. Employees can decide how many units they would like to purchase. The total value of the Ukhamba A Unit scheme amounts to R23 million.

When unit holders leave the company, they keep their investments and thereby continue to benefit from the growth.

##### **B Scheme**

During 2004, Ukhamba Holdings acquired a total of 22 million deferred ordinary shares representing 10.1% of the Imperial group. The scheme is earnings based and these shares will convert to ordinary shares over an estimated seven-year period.

During March 2004, units in the B Scheme were allocated to 15 000 Black, Indian and Coloured employees then employed by the Imperial group. All of the B Scheme holders automatically became beneficiaries of the Ukhamba Trust. These units were awarded according to the length of service with the Imperial group. The current value per unit amounts to R21,031. The first dividends were paid to participants in December 2005 and the second dividend was paid in December 2006.

The first two tranches representing a total of 3 461 530 deferred ordinary shares have already converted to ordinary shares in Imperial Holdings Limited. This represents tangible wealth enhancement for Ukhamba and its shareholders. The converted ordinary shares are unencumbered and are listed on the JSE with a value in excess of R450 million. This is a unique achievement creating real wealth for more than 15 000 historically disadvantaged individuals who will also receive their share of dividend payouts from the converted shares.

During the six years since its establishment, Ukhamba has generated solid profits from its various businesses and investments and currently has a turnover of R323 million and attributable earnings of R181 million. It is valued at over R1.9 billion. Of this, 53% is attributable to the 15 000 members and the Imperial and Ukhamba Community Development Trust.

The emphasis in the various business ventures of Ukhamba is on skills transfer and black economic empowerment. Senior employees in its subsidiaries are appointed from previously disadvantaged groups. These employees can rely on the support of experienced management of Imperial, enabling them to acquire the necessary skills to run the businesses in which they are employed.

During the 2006 financial year, Ukhamba continued to grow its investment portfolio and, in addition to its shareholding in Imperial, acquired a number of other investments. Its income was also boosted by solid returns from its shareholdings in Distribution and Warehousing Network Limited, acquired from Imperial during the previous year.

7.4

#### **BEE Procurement**

Imperial has an active programme to increase procurement from BEE providers. Divisions are in the process of accrediting BEE suppliers and service providers. Some divisions in the Group are in an advanced stage of this process and in some cases, such as the Leasing Division, procurement from BEE enterprises exceed 30% of total procurement expenditure.

Companies in the Imperial group also utilise Ukhamba Holdings and its subsidiaries as empowerment providers where these companies provide services required by Imperial group companies.

7.5

#### **Small, Medium and Micro Enterprise (“SMME”) Development and Job Creation**

Through the establishment of Ukhamba Holdings and its subsidiaries, a significant number of new jobs have been created.

The growth record of the Imperial group is well known and although the Group has grown considerably through acquisition, a significant number of new positions were created by organic growth in its divisions. Imperial now employs close to 40 000 people.

Divisions contribute to SMME development through dedicated programmes to establish and foster SMMEs.

## 7.6 Corporate Social Investment

Imperial's operating divisions and the businesses in those divisions have their own corporate social investment programmes and initiatives which range from providing internships for learners studying travel and tourism, to sponsoring vehicles for worthy causes and to AIDS initiatives. The programmes are managed at the business unit level and are appropriate to the circumstances of each business and the community in which it operates.

## 8. CORPORATE GOVERNANCE

### 8.1 Principles of corporate governance and structures

The Board affirms its commitment to the principles of openness, integrity and accountability, and to the provision of timeous, relevant and meaningful reporting to all stakeholders. It ensures that the Group's business is conducted in accordance with high standards of corporate governance and with local and internationally accepted corporate practice. These standards are entrenched in the Group's established systems of internal control, by its procedures and its policies governing corporate conduct, with particular emphasis on the importance of the 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 by means of comprehensive policy documents, but rather to allow each division to formulate its own policies, appropriate to the industry and business environment in which the division 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 may derive assurance 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 take into account 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 on a continuous basis to ensure that the Group's business is managed ethically and within prudently determined risk parameters in conformity with internationally accepted standards of best practice.

In assessing the practices implemented by the Group, the Board has balanced the following two factors:

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

### 8.2 The Board

#### *Composition and appointment*

Imperial has a unitary board structure with the chairperson and the majority of Directors being non-executive.

Directors are appointed on the basis of skill, experience and their level of contribution to, and their 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 consists of 13 non-executive Directors and seven executive Directors. Six of the non-executive Directors, including the chairperson, are independent.

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.

Executive Directors are considered to be employees and representatives of Imperial and as such, in terms of the Articles, may have a contract with the Group for a maximum of five years. They are appointed by an independent quorum of Directors who agree on the details of any contracts.

### ***Responsibilities***

The Board 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 as and when necessary. The quorum for meetings is the majority of Directors. In addition, other senior executives are invited to attend meetings as and when required, to ensure comprehensive reporting to the Board.

The board has also adopted, and regularly reviews, an authority policy governing the authority delegated to the management of the Group and setting out which matters are 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, annual financial statements and significant changes in accounting policies, changes to the Board, including the appointment to the chief executive and executive succession, on recommendations 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 that they might have in transactions with the Group.

### ***Subsidiary and divisional boards***

In line with the decentralised nature of the Group's operations, many subsidiary and divisional boards manage the day-to-day affairs within their areas of responsibility, subject to board approved authority limits. Imperial's 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***

This committee is responsible for:

- Devising group strategy for recommendation to the Board and to implement the strategies and policies approved by the Board; and
- Managing the business and affairs of the Group.

The executives on this committee are appointed by the Board.

### ***Group audit committee***

The Group audit committee consists of only non-executive Directors, one of whom is appointed as chairperson. The quorum is the majority members. Certain executive 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 also attend meetings when appropriate. The committee meets at least four times per year.

Divisional audit committees have been constituted which report significant issues to the Group audit committee. Each divisional audit committee is chaired by an independent chairperson who has no operational role in that division.

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

#### ***Remuneration and nomination committee***

This committee consists of the chairperson of the Board and other non-executive Directors. It meets at least twice a year and the quorum for meetings is the majority of members.

The remuneration and nomination 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;
- Remuneration and incentives of Directors and other employees of major subsidiaries;
- Significant changes to the Group pension and provident funds and medical aid schemes;
- Share incentive schemes and significant changes;
- Executive succession;
- Increases in non-executive Directors' fees; and
- Candidates for appointment to the Board.

The committee met three times 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.

#### ***Risk committee***

The Board is responsible for the total process of risk management in the Group. The risk committee determines the risk strategy and ensures that a risk management process is in place.

Pursuant to its policy of aligning Group corporate governance with international best practice and thereby safe-guarding the interests of stakeholders, the Group implemented a risk identification and assessment methodology and software that is aligned with best-practice requirements to identify, assess and monitor risks at strategic, business and process levels.

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

The decentralised structure of the Group consist of many business units and therefore the overall Group risk is spread and minimised. The risk committee is assisted by the Group internal audit executive and divisional risk management sponsors who have been coordinating the risk assessment process. The management of risk substantially takes place in the divisions, and the responsibility and accountability largely remains in the divisional management structures. The risk committee formalises and standardises this process by guiding management and assessing their effectiveness on risk management.

The Board determines levels of acceptable risk and requires the operations to manage and report in terms thereof. Material issues and circumstances that could adversely impact on the Group's reputation and financial affairs are considered to constitute unacceptable risk.

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

Systems of internal control have been implemented in all key operations and is tailored to suit the 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 risk areas and control processes pertaining thereto are monitored across the Group on a continuous basis.

The King II report 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 utilises internal controls as a measure to mitigate and control risk.

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

- Considered what the Group'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 whether the necessary action is being taken timeously to rectify any significant failings or weaknesses; and
- Considered whether the results obtained from the review process indicate that more extensive monitoring is required.

#### ***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 that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place for the year under review and up to the date of approval of the annual report and financial statements; and
- Is satisfied that there is an effective system of internal control in place to mitigate the significant risks faced by the Group to an acceptable level.

### **8.3 Assets and liabilities committee ("ALCO")**

The ALCO is responsible for implementing best-practice asset and liability risk management policies. Its main 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 in order to fund the assets, operations and financial commitments of the Group timeously and cost effectively. This risk is measured by the analysis of the maturity mismatch between assets and liabilities and is managed by accessing various sources of funding (bonds, commercial paper and bank facilities) across the yield curve having appropriate terms of repayment from a diverse pool of investors and lenders.

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 repricing profile and therefore should there be fluctuations in interest rates, the Group could suffer losses through the margin between asset returns and borrowing rates being eroded. Interest rate risk is

measured by analysing the repricing profile of assets and liabilities into the future through repricing gap analysis. It is managed through ensuring that the interest rate repricing profile of borrowings is matched to assets, or through interest rate derivatives, in order to attain an appropriate mix of fixed and floating rate exposures.

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

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

#### *Accountability and audit*

##### Going concern

The Group audit committee considers the facts and assumptions used in the assessment of the going concern status of Group at the financial year-end. This provides assurance to the Directors so that they can confirm 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 regarding the safeguarding of assets and the prevention of their unauthorized use or disposal, as well as the maintenance of proper accounting records that give reasonable assurance of 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 and objective assurance and consulting activity to add value and improve the Group's operations. It helps the Group accomplish its objectives by 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 (the "GAE") based at the corporate office. The GAE reports to the Group chief executive and has unrestricted access to the Group audit committee and its chairperson. The GAE reports formally at all audit committee meetings held during last year. The internal audit plan for the whole Group is approved by the Group audit committee. The GAE also attends and co-ordinates the activities of all divisional audit committees.

The internal audit function did not identify any significant breakdowns in internal control that were known to have had a material impact on performance during the past year.

##### Financial reporting

Imperial has a comprehensive system for reporting financial results to the Board on a quarterly basis and to the executive committee on a monthly basis. 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 who has inside information in respect of the Group may deal, directly or indirectly, in Imperial's or its listed subsidiaries' 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 Director's 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, as well as to promote individual liberty. Without satisfactory profits and a strong financial foundation, it would not be possible to fulfill the Group's responsibilities to shareholders, employees, society and those whom the Group does business with. The Group's 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 factors. The Group strives to innovate and adopt best-practice wherever it operates, working in consultation with stakeholders. In this regard, the Group publishes a sustainability report which forms part of its annual report.

Management and employees operate within a framework that requires compliance with all applicable laws and the 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 and its conditions of services comply with applicable laws and industry standards.

#### **Safety, health and environmental stewardship**

Imperial reports regularly at an executive and board level on its safety, health and environmental ("SHE") performance.

Imperial's objective is to prevent fatalities, work-related injuries and health impairment of its employees.

## **9. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

### **Board of Directors**

The current composition of the board of directors is as follows:

#### ***Non-executive directors***

##### **Name**

Leslie Boyd (69) C Eng, F.I.M. (UK)

Phil Erasmus (67)

Phumzile Langeni (31) BCom (Accounting)

Mike Leeming (63) BCom, MCom, FCMA, FIBSA, AMP

Roy McAlpine (66) BSc, CA

Veli Mokoena (46) BA, Post-graduate Diploma in Management (Wits), Executive Development Program (New York)



Popo Molefe (53) Phd (H.C.)  
Valli Moosa (49) BSc  
Carol Scott (58)  
Max Sisulu (60) MA, MPA  
Roddy Sparks (47) B Comm, CA(SA)  
Oshy Tugendhaft (58) BA, LLB  
Younaid Waja (55) BCom, CA(SA)

***Executive directors***

**Name**

Bill Lynch (63)  
Ralph Boëttger (44) Bacc (Hons), CA(SA)  
Hubert Brody (41) BAcc (Hons)  
Manny de Canha (57)  
Tak Hiemstra (50) BCompt (Hons), CA(SA)  
Walter Hill (47) HN Dip (Ind Eng)  
Hafiz Mahomed (56) BCompt (Hons), CA(SA), HDip Tax  
Gerhard Riemann (60)

***Executive Committee***

**Name**

Bill Lynch (63)  
Osman Arbee (46) BAcc, CA(SA), HDip Tax  
Ralph Boëttger (44) Bacc (Hons), CA(SA)  
Hubert Brody (41) BAcc (Hons), CA(SA)  
Manny de Canha (57)  
Tak Hiemstra (50) BCompt (Hons), CA(SA)  
Walter Hill (47) HN Dip (Ind Eng), AEP  
Nazeer Hoosen (41) BCompt  
Hafiz Mahomed (56) Bcompt (Hons), CA(SA), Hdip Tax

10. **HIV/AIDS**

Imperial acknowledges the seriousness of HIV/AIDS as a medical, social, and economic reality and fully recognises the tragic implications associated with this pandemic, as well as the potential enormity of its socioeconomic implications. The Group works with all stakeholders to comprehensively manage the HIV/AIDS threat:

- To support efforts to prevent the further spread of HIV/AIDS;
- To reduce fears and dispel myths;
- To protect the rights of employees with HIV/AIDS; and
- To work with stakeholders in informing and supporting efforts to arrest the pandemic.

All companies in South Africa are currently being faced with an HIV/AIDS epidemic of serious magnitude and severity. HIV/AIDS also targets the economically active sector of the population and as a result the workplace will be affected.

Due to the impact the HIV/AIDS pandemic could have on the Group, Imperial has formulated group Policy Guidelines in this regard.

The aim of Imperial's policy is:

- to ensure the fair and consistent treatment of all employees who have contracted HIV/AIDS.
- to ensure the protection and the rights of employees who may have contracted HIV/AIDS and in particular, to ensure that they are not discriminated against and that their need for confidentiality and job security is protected.
- to provide a framework for the education of employees and management with regard to HIV/AIDS. The aim is to slow down the further spread of the disease, motivate employees to make themselves available for confidential testing and treatment, and direct them to facilities and programmes for treatment. As far as management is concerned education programmes are aimed at how to deal with employees affected with HIV/AIDS in the workplace.
- to provide guidelines with regard to action which may be taken to reduce the impact of HIV/AIDS in the workplace.
- to establish procedures to facilitate voluntary confidential testing and counselling in order to allow employees to establish their HIV/AIDS status in a confidential manner and have access to counselling services.
- to establish procedures to facilitate the treatment and further counselling of employees living with HIV/AIDS.

Given the nature of the transport industry and the vulnerability of employees employed in this industry with regard to HIV/AIDS, an industry wide programme was implemented to control HIV/AIDS.

Imperial played a leading role in the development and implementation of this programme. This programme has as its aim:

- Extensive Education and awareness education throughout the road freight sector.
- The establishment of a national provider network for confidential HIV testing, treatment and counselling as well as after care services for employees in the road freight sector living with HIV/AIDS.

#### ***Environmental policy and management systems***

The Group is committed to the creation of a safe and healthy environment for all its employees and the stakeholders affected by its operations.

Each business unit is responsible for its own environmental policy, taking full cognisance of Group principles and local circumstances.

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## **SOUTH AFRICAN TAXATION**

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*The information contained below is intended to be a general guide to the relevant tax laws of South Africa as at the date of this Programme Memorandum and is not intended as comprehensive advice and does not purport to describe all of the considerations that may be relevant to a prospective purchaser of Notes. Prospective purchasers of Notes should consult their own professional advisers in regard to the purchase of Notes and the tax implications thereof. Accordingly, the Issuer makes no representation and gives no warranty or undertaking, express or implied, and accepts no responsibility for the accuracy or completeness of the information contained in this paragraph. The information contained below sets out guidelines on the current position regarding South African taxation for taxpayers who hold the Notes as capital assets. Traders in these Notes should consult their own advisers.*

*Words used in this section entitled "South African Taxation" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

### **Stamp Duty and Uncertificated Securities Tax**

In terms of the Stamp Duties Act, 1968, no stamp duty is payable on the original issue of debentures or on their transfer, provided that they constitute instruments as contemplated in section 24J of the Income Tax Act, 1962 (as amended) (the "Act").

In terms of the Uncertificated Securities Tax Act, 1998, no uncertificated securities tax is payable on the issue or transfer of securities qualifying as instruments as contemplated in section 24J of the Act.

Accordingly, as at the date of this Programme Memorandum, (i) no stamp duty (as contemplated in the Stamp Duties Act, 1968) is payable on the issue, cancellation, redemption or on the transfer of the Notes, and (ii) no uncertificated securities tax (as contemplated in the Uncertificated Securities Tax Act, 1998) is payable on the issue or on the transfer of the Notes.

### **General**

In general interest received on the Notes will be subject to income tax in the Republic of South Africa (the "**Republic**"). Certain entities may be exempt from the tax. Purchasers are advised to consult their own professional advisers as to whether the interest will be exempt or not. The amount of interest to be included in income, the position of non-residents and the capital gains tax consequences are examined below.

### **Interest for Purposes of Section 24J of the Act**

In terms of section 24J of the Act, any discount or premium to the nominal value at which a Note is issued or acquired is treated as part of the interest income on the Note by the Revenue authorities. The Noteholder will be deemed to have accrued such interest income on a day-to-day basis until the Noteholder disposes of the Note or until maturity. This day-to-day basis is determined by calculating the yield to maturity and applying it to the capital involved for the relevant tax period. In practice the premium or discount is treated as interest for the purposes of the exemption under section 10(1)(h) of the Act.

### **Noteholders who are not Residents of the Common Monetary Area**

In terms of section 10(1)(h) of the Act, interest received by or accruing to a Noteholder who is not a resident during any year of assessment is exempt from income tax, unless that person:

- (a) is a natural person who was physically present in the Republic for a period exceeding 183 days in aggregate during that year of assessment; or
- (b) at any time during that year of assessment carried on business through a permanent establishment in the Republic.

### **Capital Gains Tax**

Capital gains and losses of residents on the disposal of Notes are subject to Capital Gains Tax, provided that they are not traders of such Notes. Should they be regarded as traders, the gains or

losses will be on revenue account. Any discount or premium on acquisition which has already been treated as interest for income tax purposes, under section 24J of the Income Tax Act, will not be taken into account when determining any capital gain or loss. In terms of section 24J(4A) of the Act a loss on disposal will, to the extent that it has previously been included in taxable income (as interest) be allowed as a deduction from the taxable income of the holder when it is incurred and accordingly will not give rise to a capital loss.

Capital Gains Tax in terms of the Eighth Schedule to the Act does not apply to assets such as Notes disposed of by a person who is not a resident unless the Note disposed of, is attributable to a permanent establishment of that person through which a trade is carried on in South Africa, during the relevant year of assessment.

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## SUBSCRIPTION AND SALE

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*Words used in this section entitled "Subscription and Sale" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context*

### 1. REPUBLIC OF SOUTH AFRICA

The Issuer and the Dealers represent and agree and each additional Dealer will be required to represent and agree, that the offer of Notes for sale pursuant to the Programme shall comply with the provisions of the Companies Act, 1973, the Banks Act, 1990 and any regulations issued thereunder.

### 2. THE UNITED KINGDOM

The Issuer and the Dealers have represented and agreed and each additional Dealer appointed under the Programme will be required to represent and agree that:

- (i) it has not offered or sold and, prior to the expiry of the period of six months from the issue date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purpose of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations, 1995;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated, an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act, 2000 (the "FSMA")) in connection with the issue or sale of such Notes in circumstances in which section 21 of the FSMA does not apply to the Issuer; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### 3. THE UNITED STATES OF AMERICA

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States of America or to, or for the account of or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes may be subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

The Dealers have represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 (forty) days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the tranche of which such Notes are part, within the United States or to, or for the account of, U.S. persons. The Dealers have further agreed, and each further Dealer appointed under the Programme will be required to agree that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 (forty) days after the commencement of the offering of any series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

#### 4. EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so are authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000 as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “*offer of Notes to the public*” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “*Prospectus Directive*” means Directive 2003/71/EC as amended, superseded or re-instated and includes any relevant implementing measure in each Relevant Member State.

#### 5. GENERAL

The Dealers have agreed and each additional Dealer appointed under the Programme will be required to agree that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it subscribes, or procures the subscription of Notes, offers or sells Notes or possesses or distributes this Programme Memorandum and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and neither the Issuer nor any other Dealer shall have responsibility therefor. Neither the Issuer nor the Dealers represent that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder or assumes any responsibility for facilitating such sale.

No person may directly or indirectly offer, sell, resell, re-offer or deliver Notes or distribute any document, circular, advertisement or other offering material in any country or jurisdiction except under circumstances that will result, to the best of its knowledge and belief, in

compliance with all applicable laws and regulations.

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## SETTLEMENT, CLEARING AND TRANSFERS

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*Words used in this section entitled "Settlement, Clearing and Transfers" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

Each Note will be issued in the form of a single Certificate which will be lodged and immobilised in the CSD, which forms part of the settlement system of BESA and the JSE Securities Exchange of South Africa. The CSD's Nominee will be the sole Noteholder in respect of the Certificate.

The CSD holds Notes subject to the Securities Services Act and the Rules of the CSD. The Rules of the CSD as at the date of this Programme Memorandum are as published by the Registrar of Securities Services in Government Gazette No. 27758 of 8 July 2005.

Whilst the Notes are held in the CSD under a Certificate, the CSD's Nominee will be reflected as the Noteholder in the Register maintained by the Transfer Agent. Accordingly, in terms of the Terms and Conditions relating to the Notes, all amounts to be paid and all rights to be exercised in respect of the Notes held in the CSD, will be paid to and shall be exercised only by the CSD's Nominee, for the holders of Beneficial Interests in the Notes held by the CSD under the Certificate.

The CSD maintains accounts only for the Participants in the CSD. As at the date of this Programme Memorandum, the Participants who are also approved Settlement Agents of BESA are the South African Reserve Bank, ABSA Bank Limited, FirstRand Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited. The Participants are in turn required to maintain securities accounts for their clients. The clients of Participants may include the holders of Beneficial Interests in the Notes represented by the Certificate or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the CSD only through the Participants. Euroclear and Clearstream Banking *société anonyme* (Clearstream, Luxembourg) may hold Notes through their Participant, which is currently The Standard Bank of South Africa Limited.

Transfers of Beneficial Interests in the CSD to and from clients of Participants occur by book entry in the securities accounts of the clients with Settlement Agents. Transfers among Participants of Notes held in the CSD occur through book entry in the Participant's central security accounts with the CSD.

Beneficial Interests in Notes may be exchanged for Notes in definitive registered form.

Payments of interest or principal in respect of Notes represented by a Certificate will be made in accordance with Condition 6 of the Terms and Conditions to the CSD's Nominee, or its successor, as shown in the Register and the Issuer will be discharged by proper payment to, or to the order of, the registered holder of the Certificate in respect of each amount so paid. Each of the persons shown in the records of the CSD and the Participants as the holders of Beneficial Interests, as the case may be, shall look solely to the CSD or the Participant, as the case may be, for such person's share of such payment so made by the Issuer to, or to the order of, the registered holder of such Certificate.



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## GENERAL INFORMATION

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*Words used in this section entitled "General Information" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

### AUTHORISATION

All consents, approvals, authorisations or other orders of regulatory authorities required by each of the Issuer and the Guarantor under the laws of South Africa have been given for the establishment of the Programme, the update of the Programme and the issue of the Notes thereunder.

### DOCUMENTS AVAILABLE

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the registered office of the Arranger:

- (a) the most recently published audited annual financial statements of the Issuer and the Guarantor in respect of the most recent three years, as and when such become available;
- (b) a copy of the Programme Memorandum; and
- (c) any future supplements to the Programme Memorandum or updated Programme Memorandums.

### LISTING

The Programme has been approved by, but not registered on BESA. Neither the Programme nor any Notes issued thereunder, will be listed on any exchange.

### CLEARING SYSTEMS

The placement of trades of the Notes will be reported through the BESA reporting system. The Notes will be cleared and settled in accordance with the rules of the CSD, or its successor. The Notes may also be accepted for clearance through any additional clearing system as may be selected by the Issuer.

### COMMERCIAL PAPER REGULATIONS

The Commercial Paper Regulations published in Government Notice Number 2172 (Government Gazette 16167 dated 14 December 1994, under paragraph (cc) of the definition of "*the business of a bank*" in terms of Section 1 of the Banks Act, 1990) (the "**Commercial Paper Regulations**") require that the following information (in addition to that disclosed elsewhere in the Programme Memorandum) be disclosed:

#### Going Concern

Each of the Issuer and the Guarantor is, at the date hereof, a going concern and it can in all circumstances be reasonably expected to meet all its commitments as and when they fall due. This statement will be deemed to be repeated by each of the Issuer and the Guarantor at the date of each issue of Notes under the Programme. If any event occurs as a result of which the above statement is no longer true and accurate, the Issuer will give notice thereof to the Noteholders in accordance with Condition 15.

#### Commercial Paper Outstanding

The total nominal value of all commercial paper issued by the Issuer outstanding at the date of this Programme Memorandum amounts to R1,5 Billion (One Billion Five Hundred Million Rand). The Issuer estimates that it may issue additional commercial paper up to ZAR2,000,000,000 (Two Billion Rand) during the current financial year ending on 25 June 2007.

#### Material Adverse Change

There has been no material adverse change in the financial positions of the Issuer and the Guarantor since 25 June 2006, the date of the most recent audited annual financial statements of the Issuer and the Guarantor.

This statement will be deemed to be repeated at the date of each issue of Notes under the Programme with reference to the date of the Issuer's and the Guarantor's most recent audited annual financial

statements. If any material adverse change in the financial position of the Issuer or the Guarantor occurs or, if an event occurs as a result of which the above statement is no longer true and accurate, the Issuer will give notice thereof to the Noteholders in accordance with Condition 15.

#### **Auditors**

Deloitte & Touche have acted as auditors of the annual financial statements of the Issuer and the Guarantor for the financial years ended 25 June 2005 and 2006 and in respect of those years they issued unqualified audit reports.

Deloitte & Touche have confirmed that their review revealed nothing which causes them to believe that the issue of the Notes under this Programme Memorandum does not comply in all respects with the Commercial Paper Regulations, as required in terms of paragraph 3(5)(j) of the Commercial Paper Regulations.

#### **LITIGATION**

Save as disclosed herein, neither the Issuer nor the Guarantor is engaged (whether as defendant or otherwise) in any legal, arbitration, administration or other proceedings, the results of which might have or have had a material effect on the financial position or the operations of the Issuer and the Guarantor, nor is the Issuer and the Guarantor aware of any such proceedings being threatened or pending.

#### **NON-SOUTH AFRICAN NOTEHOLDERS AND EMIGRANTS FROM THE COMMON MONETARY AREA**

The information below is not intended as advice and it does not purport to describe all of the considerations that may be relevant to a prospective purchaser of Notes. Prospective purchasers of Notes that are non-South African residents or emigrants from the Common Monetary Area are urged to seek further professional advice in regard to the purchase of Notes under this Programme.

Blocked Rands may be used for the purchase of Notes. Any principal amounts payable by the Issuer in respect of the Notes purchased with Blocked Rands may not, in terms of the Exchange Control Regulations, 1961 (the “**Exchange Control Regulations**”), be remitted out of South Africa or paid into any non-South African resident’s bank account. For the purposes of this paragraph, “**Blocked Rands**” are defined as funds which may not be remitted out of South Africa or paid into a non-South African resident’s bank account.

#### **Emigrants from the Common Monetary Area**

In the event that the Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the CSD and its relevant Participants, the securities account of such emigrant will be designated as a “*non-resident*” account.

Any payment of interest and/or principal due to an emigrant Noteholder in respect of Notes will be deposited into such emigrant’s Blocked Rand account with the authorised foreign exchange dealer controlling such blocked assets. These amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.

#### **Non-residents of the Common Monetary Area**


In terms of the Exchange Control Regulations, non-residents of the Common Monetary Area may not invest in the Notes unless specific approval is sought and obtained from the relevant authorities. In the event that authorisation to purchase the Notes is granted by the relevant authorities, it is incumbent on any such non-resident to instruct the non-resident’s nominated authorised foreign exchange dealer as to how any funds due to such non-resident in respect of Notes are to be dealt with. Such funds may, in terms of the Exchange Control Regulations, be remitted abroad only if the relevant Notes are acquired with foreign currency introduced into South Africa.


For the purposes of these paragraphs, the Common Monetary Area includes the Republic of Namibia and the Kingdoms of Lesotho and Swaziland.

Signed at Bedfordview on this the 20th day of February 2007.

For and on behalf of  
**IMPERIAL GROUP (PROPRIETARY)  
LIMITED**

For and on behalf of  
**IMPERIAL GROUP (PROPRIETARY)  
LIMITED**

  
Name: RL HENSTRA  
Capacity: DIRECTOR  
Who warrants his authority hereto

  
Name: A. H. MAHOMED  
Capacity: DIRECTOR  
Who warrants his authority hereto


**AFFIRMATION OF THE GUARANTOR**


We, Imperial Holdings Limited, irrevocably and unconditionally guarantee to the Noteholders, the due and punctual performance by the Issuer of all its obligations under this Programme as set out in the Guarantee in Condition 5 of the Terms and Conditions of this Programme Memorandum.

Signed at Bedfordview on this the 20th day of February 2007.

For and on behalf of  
**IMPERIAL HOLDINGS LIMITED**

For and on behalf of  
**IMPERIAL HOLDINGS LIMITED**

  
Name: RL HENSTRA  
Capacity: DIRECTOR  
Who warrants his authority hereto

  
Name: A. H. MAHOMED  
Capacity: DIRECTOR  
Who warrants his authority hereto

## ISSUER

### **Imperial Group (Proprietary) Limited**

(Registration Number 1983/009088/07)

Registered Office:

Imperial Place  
Jeppe Quondam  
79 Boeing Road East  
Bedfordview, 2007  
South Africa  
Contact: Mr H Brody

## GUARANTOR

### **Imperial Holdings Limited**

(Registration Number 1946/021048/06)

Registered Office:

Imperial Place  
Jeppe Quondam  
79 Boeing Road East  
Bedfordview, 2007  
South Africa  
Contact: Mr H Brody

## ARRANGER

### **The Standard Bank of South Africa Limited**

(Registration Number 1962/000738/06)

Registered Office:

3 Simmonds Street  
Johannesburg, 2001  
South Africa  
Contact: Ms A Hunter

## DEALERS

### **The Standard Bank of South Africa Limited**

(Registration Number 1962/000738/06)

Registered Office:

3 Simmonds Street  
Johannesburg, 2001  
South Africa

Contact: Head: Ms C Hobbs

### **Nedbank Capital,**

### **a division of Nedbank Limited**

(Registration Number 1951/000009/06)

Registered Office:

6th Floor  
Corporate Place  
135 Rivonia Road  
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53