Imperial Holdings

accelerating entrepreneurial momentum

Imperial Holdings Limited | **Annual Report 2007**

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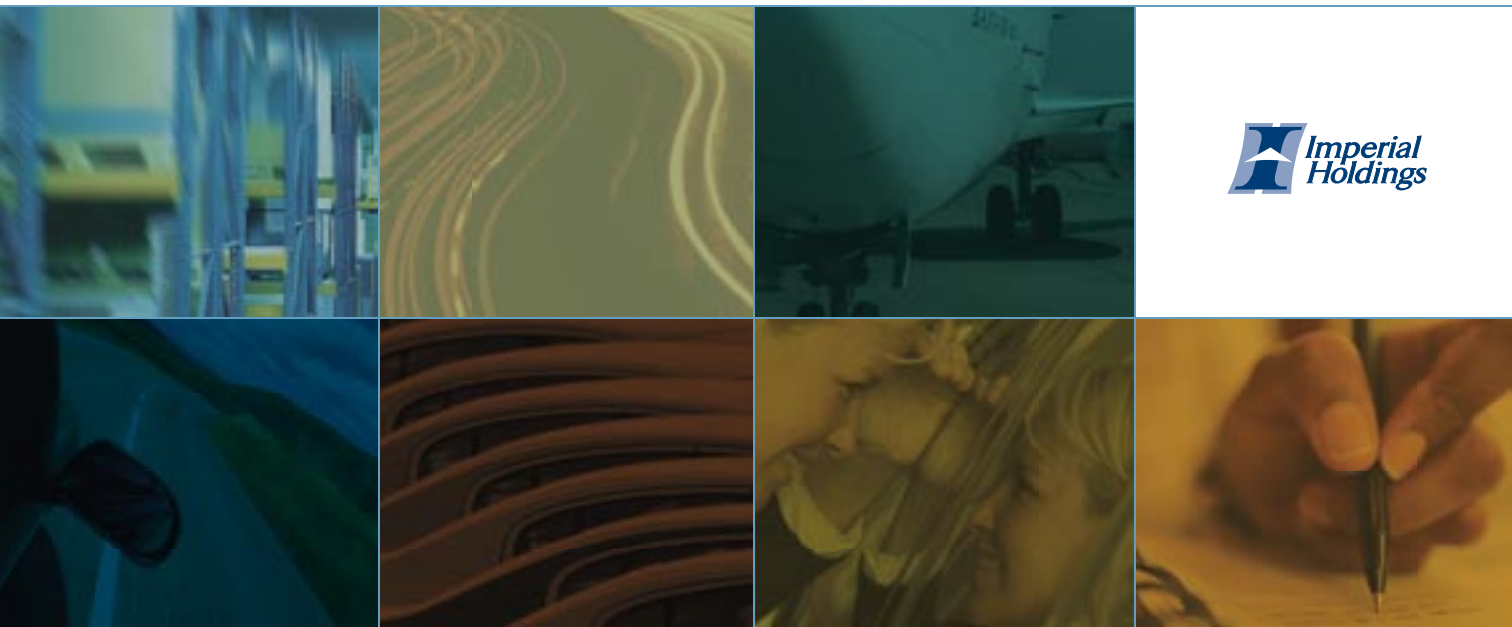
Group profile

Imperial is a diversified multinational mobility group with activities spanning motor vehicle and related operations across virtually all modes of transport for people and freight. While capitalising on the synergies between our business entities, our decentralised management structure actively encourages entrepreneurship, innovation and industry-specific best practices.

The group operates through seven divisions: logistics, leasing and capital equipment, aviation, car rental and tourism, distributorships, dealerships and insurance. The activities of group associates include financial services through Imperial Bank. Imperial is active in South Africa, selected parts of Africa, Europe, Scandinavia and Australia.

the future is an
extension of the present



Logistics

Imperial Logistics is the leading logistics provider in southern Africa, providing integrated solutions to a diverse range of blue-chip customers. Offshore, our contract logistics operations are housed in Imperial Logistics International, which provides complete logistics solutions including warehousing, inland waterway shipping, trucking, container handling and related value-added services.

Operating highlights

- Solid performance from domestic operations underscores a strong domestic economy and a growing trend towards outsourcing logistics functions.
- Excellent performance from international operations, underpinned by a strong German export economy.
- Post year-end acquisition of Laabs GmbH Tank-Logistic, a liquid transport specialist servicing chemical and food industries in Europe.

Outlook

Favourable economic conditions in South Africa and Europe should support continued growth, although high fuel prices may continue to put pressure on both demand and margins.

	2007	2006	% Change
Revenue (Rm)	**14 562**	12 426	17
Operating profit (Rm)	**869**	763	14
Operating asset (Rm)	**8 470**	7 702	10
Employees	**15 930**	15 229	5
Fleet size	**5 603**	5 213	7

Leasing and Capital Equipment

The division is a market leader in leasing, fleet management and related value-added services for passenger and commercial vehicles, materials handling and earthmoving equipment, for public and private sector customers in sub-Saharan Africa. It also has significant forklift operations in the United Kingdom.

Operating highlights

- Diversification of asset and product base increased the value-added composition.
- Successful integration of acquisitions and new distributorships of earthmoving equipment.
- Operational expansion into new territories in Africa, and product diversification in the United Kingdom.

Outlook

Geographic expansion and a diverse, but balanced mix of asset classes are expected to underpin strong growth from this division.

	2007	2006	% Change
Revenue (Rm)	**5 228**	3 028	73
Operating profit (Rm)	**865**	540	60
Operating asset (Rm)	**7 199**	5 171	39
Employees	**4 657**	3 829	22
Fleet size	**31 063**	30 291	3

Aviation

A leading aircraft leasing business with substantial freight operations in Europe, contract flying on a global scale and financial leasing of midsize aircraft.

Operating highlights

- Good growth reflects good performances from Air Contractors and NAC and profitable aircraft sales by Safair.
- Aircraft sales up significantly.
- Imperial Air Cargo successfully established in August 2006.

Outlook

The intention has been expressed to reduce our exposure to the capital intensive parts of the aviation industry.

	2007	2006	% Change
Revenue (Rm)	**3 925**	3 349	17
Operating profit (Rm)	**324**	280	16
Operating asset (Rm)	**3 454**	3 786	(9)
Employees	**1 286**	1 350	(5)
Aircraft in fleet (owned)	**123**	149	(17)

Car Rental and Tourism

This division houses our car rental and wholly owned tourism interests, and a 66% stake in the listed Tourvest group, making it the largest participant in the domestic tourism industry. Vehicle rental operations span the domestic corporate and leisure sectors as well as inbound tourists, with extensive support services.

Operating highlights

- Good growth in revenue and fleet size, and improvement of rental margins.
- Europcar agency extended for substantial period, and back office processes merged with those of Imperial Car Rental.
- 26% HEPS growth by Tourvest.

Outlook

The division is exceptionally well placed to capitalise on rising demand from the tourism industry, increased domestic leisure travel and infrastructural activity. Specific challenges, such as high accident repair costs, will be closely monitored. With the increase in new car prices and interest rates, consumers generally buy more used cars, which will benefit Auto Pedigree. The disposal of Tourvest is being contemplated.

	2007	2006	% Change
Revenue (Rm)	**3 898**	3 441	13
Operating profit (Rm)	**568**	507	12
Operating asset (Rm)	**2 888**	2 312	25
Employees	**6 283**	5 166	22
Fleet size	**13 400**	11 571	16

Distributorships

The division imports and distributes a range of passenger and light and heavy commercial vehicles, automotive products and motorcycles on behalf of principals in Asia, Europe and the United States. It retails Ford passenger cars in Australia. The division is building meaningful related financial services operations in conjunction with banks and insurance companies.

Operating highlights

- Good revenue growth aided by inclusion of UK operations, despite lower margins in that region.
- Operating profit growth lower due to currency weakness and problems in truck distribution, with a loss recorded by Commercial Vehicle Holdings.
- Five car dealerships and three motorcycle dealerships opened in South Africa, a dealership opened in Australia and Tata truck rental business established.
- Aprilla motor bike distribution awarded.

Outlook

Despite the negative impact of new credit legislation and slowing consumer spending in South Africa, the division's considerable investment in distributorships is expected to support ongoing growth.

	2007	2006	% Change
Revenue (Rm)	**20 824**	16 009	30
Operating profit (Rm)	**1 251**	1 503	(17)
Operating asset (Rm)	**9 879**	9 029	9
Employees	**7 838**	7 140	10

Motor Dealerships

Focused on motor vehicle brands with a local OEM presence, this division is a leading retailer of passenger and commercial vehicles in South Africa and is building an increasing presence in the related accessories market through acquisition. It has a small presence in Sweden. A substantial portion of revenue comes from after-sales service and capitalising on financial services opportunities with Imperial's insurance and banking interests.

Operating highlights

- Benefits of diverse income stream emerge as competition in vehicle market intensifies.
- Two new car, eleven used car and a commercial vehicle operation opened.
- Impact on new vehicle sales due to rising interest rates and new credit act expected to be temporary.

Outlook

Higher interest rates and slowing consumer spending are expected to constrain growth in our traditional businesses, offset by continuing good demand for after-sales service and product diversification.

	2007	2006	% Change
Revenue (Rm)	**16 941**	14 980	13
Operating profit (Rm)	**458**	377	21
Operating asset (Rm)	**4 184**	3 269	28
Employees	**6 794**	5 915	15

Insurance

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

Operating highlights

- Continued market share gains and positive results, aided by buoyant equities market.
- Initial impact of new credit legislation from one month's trading.
- Regent Life entered the employee benefits market by acquiring the business of an existing consultancy and administration company.

Outlook

The effect of statutory changes will affect all participants in the market, but we believe customers' needs for competitive insurance products for their own peace of mind will restore the balance and the strong long-term growth prospects of our insurance operations.

	2007	2006	% Change
Revenue (Rm)	**3 151**	2 622	20
Operating profit (Rm)	**713**	589	21
Operating asset (Rm)	**4 182**	3 742	12
Employees	**861**	670	29

building

on a powerful heritage

Transition

The reinvention of any organisation is ongoing, and one that has grown from a small motor dealership into a multi-faceted industrial group such as Imperial is the product of many reinventions.

Every transition from one era to the next forms new platforms for growth and development, and Imperial is currently in an important transitional phase from a period of highly successful enterprise building under the leadership of Bill Lynch to a new phase led by Hubert Brody.

During the enterprise-building phase, Imperial started and acquired new businesses to form a diversified mobility group. Opportunities to create inter-dependent businesses around the theme of motor vehicles abounded and were successfully exploited. The investment drive was entrepreneurial and innovative and immersed the group into complex disciplines that were traditionally the domain of larger and more sophisticated organisations. Since its listing, Imperial has recorded 20 years of uninterrupted compounded growth in HEPS of more than 28% per annum, which proved the wisdom of the aggressive business building which characterised this era.

During this period, the group's new motor dealerships grew from 11 to more than 200, and from a single franchise to 34. Its truck fleet grew from 1 120 to 5 603, and its passenger cars increased from 1 650 to 37 828. Three divisions became seven with the addition of aviation, leasing, vehicle distribution and insurance to the portfolio. Revenue grew from R219 million to R66,2 billion and the staff complement from 1 720 to 43 792.

This was made possible by access to capital – both equity and debt capital. It was also supported by a growing economy, although the company's growth far outpaced growth in the economy. The business remained well managed throughout, which ensured access to new funding sources, and together with retained profits enabled continued expansion. Governance structures kept pace with the demands of modern business practice.

The group maintained a low public profile, with management electing to promote the customer profiles of the operating businesses rather than the holding company, except to the investment community, where the holding company's investment merits were regularly communicated.

Over two decades of business-building, Imperial and CEO Bill Lynch received many accolades, locally and internationally. The personal high point for Bill came in 2006 when he was voted Ernst & Young's World Entrepreneur of the Year. Bill retired a year later and Hubert Brody (43) was nominated in his place.

This introduced a new phase for Imperial.

The primary objective of this phase will be to enhance returns on all our resources – financial, human and infrastructural. It will require a more fundamental examination of the optimal composition of the group to maximise returns. Capital efficiency has to be unlocked to facilitate growth into areas with the right balance between risk and return, and shareholder value has to be unlocked by better definition and exposure of the value pockets in the group.

The efficiency of management and our processes will be scrutinised and underperforming businesses will be addressed. New business opportunities will be developed from growth platforms in the group and those outside the current group identified. Acquisitions of logical extensions to the group will be pursued, with a preference to grow into areas where we have proven expertise, but with the boldness to venture into new opportunities that the rapidly developing economic landscape presents.

The new phase will not be one of consolidation, but one of modernisation. This requires leadership throughout the organisation, a skills base and a diversity of scarce management resources. As such, we are embarking on a leadership and skills development programme to focus on critical skills shortages and the need to tap into the enormous potential that exists in our people. Our people will be encouraged to identify with the objectives of the organisation and to participate in shaping the Imperial of the future.

We should not be measured only in terms of what we are today, because we will have created new centres of growth tomorrow. We believe that our future holds more value than our present. For this to be true, it requires a broad mind, a prudent appetite for risk, and the strength of conviction to execute and implement the strategies we have conceived.

Imperial Holdings

Imperial at a glance

- Fleets in operation – **55 832**
- Vehicles retailed – **185 826**
- People employed – **43 792**
- Invested in expansion – **R2,6 billion**
- Most significant transporter on Rhine River in Europe

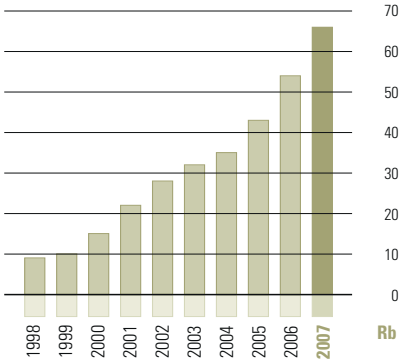
Financial and operational highlights

	2007	2006	% change
Revenue (Rm)	66 214	54 105	22,4
Operating profit (Rm)	5 024	4 458	12,7
Profit margin (%)	7,6	8,2	
Profit before exceptional items (Rm)	4 305	3 772	14,1
Headline earnings attributable to shareholders (Rm)	2 657	2 291	15,9
Headline earnings per share (cents)	1 434	1 222	17,3
Distributions to shareholders (cents)	560	474	18,1
Cash generated by operations (Rm)	6 011	5 634	6,7
Return on equity (%)	23,6	25,6	
Total assets (Rm)	45 534	37 560	21,2
Net asset value per share (cents)	6 223	5 330	16,8
Market capitalisation at closing prices (Rm)	29 661	26 715	11,0

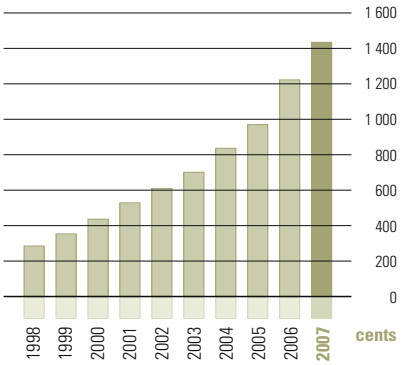
Strategies

- It is the group's core business to own, operate and trade in mobility assets
- We are reassessing our portfolio for the optimal business mix, given the economic outlook, cost of capital and our proven skills set
- The capital intensity of this strategy will be carefully considered against gearing capacity, with capital allocated to areas where we expect optimal returns
- Opportunities are being defined for acquisitions and building new businesses that fit our business model and area of focus
- Our aim remains to generate growing shareholder value through the building of long-term sustainable businesses

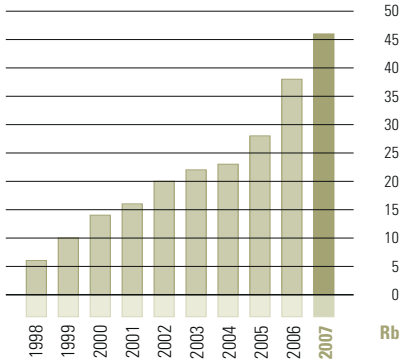
Revenue



Headline earnings per share



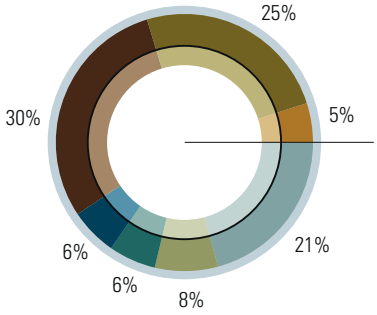
Total assets



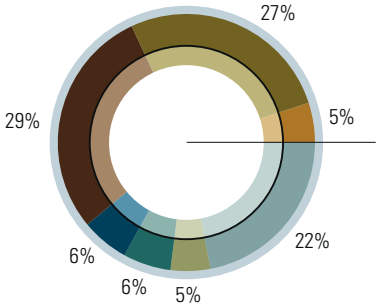
Financial and operational highlights

- Headline earnings per share increased 17% to 1 434 cents
- Group revenue grew by 22% to R66,2 billion, reflecting a buoyant consumer market and strong demand for Imperial's products and value-added services
- Attributable profit up 24% to R2 776 million
- The annual distribution to shareholders was18% higher at 560 cents per share
- Steady expansion in several divisions supports the group strategy of diversification
- Free cash flow of 101% of headline earnings
- Group return on equity at 23,6%
- Portfolio rebalancing announced

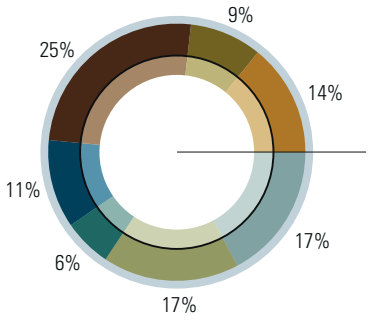
Divisional contribution to revenue 2007



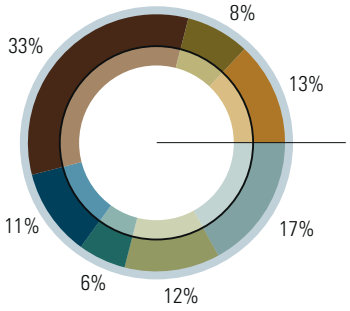
Divisional contribution to revenue 2006



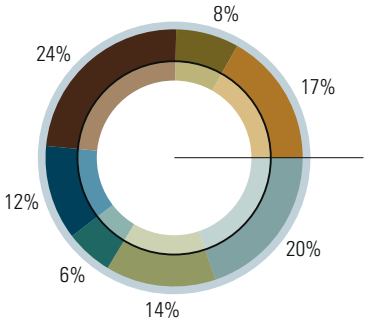
Divisional contribution to operating profit 2007



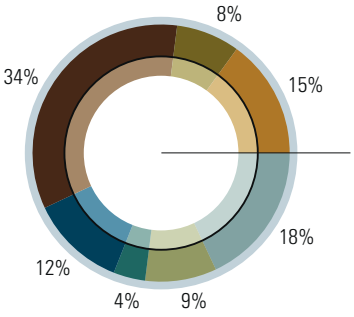
Divisional contribution to operating profit 2006



Divisional contribution to profit before exceptional items 2007



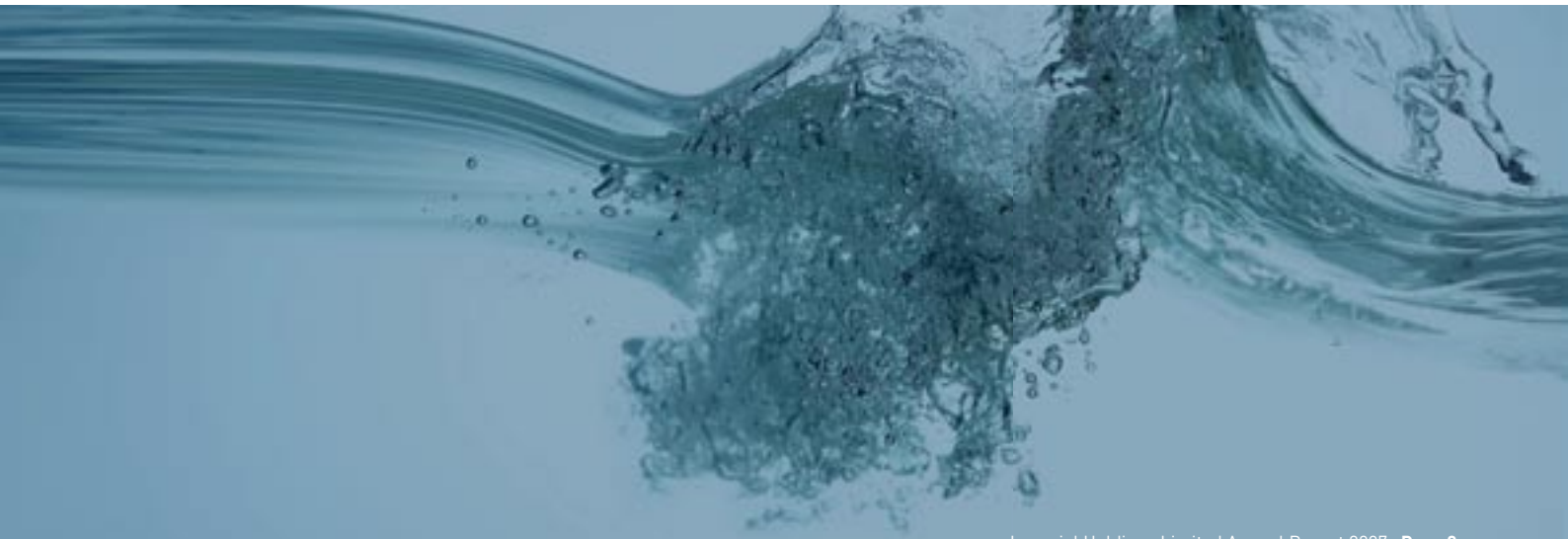
Divisional contribution to profit before exceptional items 2006



Outlook

- The year ahead will be challenging, given a slowing retail environment that will present difficult trading conditions in our motor operations
- The impact of new credit legislation and possible weaker investment markets may limit growth in our insurance division
- Our contra-cyclical businesses stand to benefit from continuing strength in the South African and global economies
- The recovery of those few businesses that did not perform to their potential is under way
- Overall, we anticipate good growth in earnings

- Logistics
- Leasing and Capital Equipment
- Aviation
- Car Rental and Tourism
- Distributorships
- Motor Dealerships
- Insurance



Directors and executive committee

Non-executive directors

Shown left to right

Leslie Boyd (70) CEng, FIM (UK)*
Leslie is a retired executive vice chairman of Anglo American plc. He is currently the non-executive chairman of Datatec and Metmar and a director of Aspen, Columbus Stainless, Highveld Steel and Vanadium Corporation, Sun International and Tongaat-Hulett. He was appointed to the board and as chairman in June 2001.

Phil Erasmus (67)*
Phil is the retired chief executive of Tanker Services and was the head of the Transport division until his retirement in 1995. He joined the group and the board in August 1993.

Phumzile Langeni (33) BCom Acc*
Phumzile is currently a director of Afropulse and an independent non-executive director of Massmart Holdings and Emperor's Palace. She is the JSE representative on the securities regulation panel (SRP). She was appointed to the board in June 2004.

Mike Leeming (63)
BCom, MCom, FCMA, FIBSA, AMP*
Mike was a former executive director of Nedcor Limited. He has served as chairman of the Banking Council of South Africa and president of this country's Institute of Bankers. He is currently a non-executive director of the Altron Group, AECI, Woolworths and Glenrand MIB. He was appointed to the board in November 2002.

Bill Lynch (63)
Bill is the retired chief executive of Imperial and joined the group 36 years ago. He became joint managing director in 1987 and served as executive chairman from 1990 until 2001 when he relinquished this to a non-executive chairman. He has spearheaded the development and expansion of the group. He retired as chief executive on 4 July 2007.

Roy McAlpine (66) BSc CA*
Roy is a former executive director of Liberty Life. He is currently a non-executive director of African Rainbow Minerals and Hyprop Investments, and is a past chairman of the Association of Unit Trusts of South Africa. He was appointed to the board in August 1998.

Veli Mokoena (47)
BA, postgraduate diploma in management (Wits), executive development programme (New York).
Veli is the chief executive of Ukhamba Holdings, the group's empowerment partner and is currently a non-executive director of Distribution and Warehousing Network (DAWN). He was appointed to the board in March 2004.

Popo Molefe (55) PhD (Hon)
Popo was the premier of the North West Province and chairman of the ANC in the North West Province. He is a member of the ANC National executive committee and the chairman of the ANC's subcommittee on governance and legislatures. He has been appointed chairman of Petro SA and is a board member of the Central Energy Fund, Strategic Fuel Fund, Xantium Technology Holdings and Armscor. He was appointed to the board in June 2005.

Valli Moosa (50) BSc
Valli is non-executive chairman of Eskom and is non-executive director of Sanlam and Sun International. He is the executive chairman of Lereko Investments. He is also president of IUCN and serves on the national executive committee of the ANC. He previously served as Minister for Constitutional Development and Minister of Environmental Affairs and Tourism.

Carol Scott (60)
Carol was the chairwoman of the Car Rental and Tourism division. She played a key role in the establishment of Imperial Car Rental and developments in the division. Carol joined the group in 1978 and was appointed to the board in July 1990. She relinquished her executive duties at the end of June 2006. She is the chairperson of Tourvest.

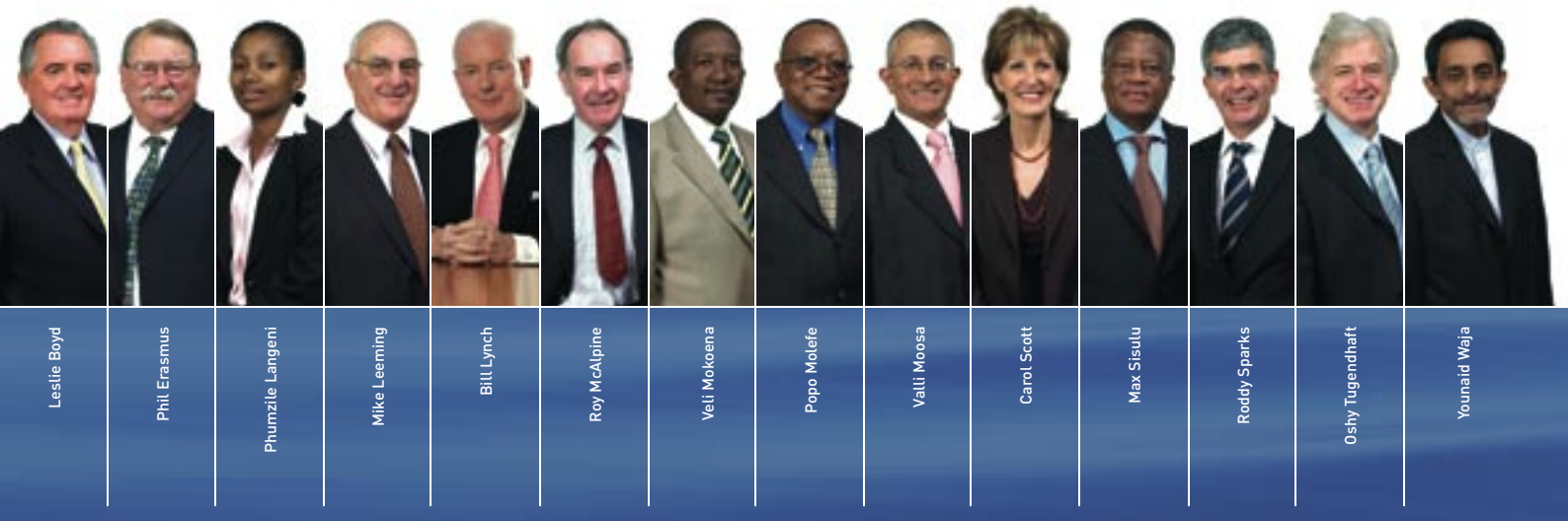
Max Sisulu (62) MA, MPA
Max is a prominent public figure and is currently group general manager at SASOL. He is a non-executive director of African Rainbow minerals and the Resolve group. He is also the non-executive chairman of Ukhamba Holdings, the group's empowerment partner. He was appointed to the board in March 2004.

Roddy Sparks (48) BCom, CA(SA)*
Roddy is a former managing director of Old Mutual South Africa and Old Mutual Life Assurance Company (SA) and former chairman of Old Mutual Unit Trust, Old Mutual Specialised Finance and Old Mutual Asset Managers (SA). He is a director of Worldwide African Investments and serves on the board of governors of the UCT Graduate School of Business. He was appointed to the board in July 2006.

Oshy Tugendhaft (59) BA, LLB
Oshy is the senior partner of Tugendhaft Wapnick Banchetti & Partners, a leading Johannesburg law firm and a non-executive director of African Bank Investments and Pinnacle Technology Holdings. He was appointed to the board in April 1998.

Younaid Waja (55) BCom, CA(SA)
Younaid is a director of the Public Investment Corporation (PIC), the largest shareholder in Imperial. He is the chairman and senior tax partner of APF Chartered Accountants Inc, a director of Pareto, a trustee of the Diabo Trust (Telkom employees' 2% share in Telkom) and an accountant member of the Special Income Tax Court. He is also a former chairman of the Public Accountants' and Auditors' Board. He was appointed to the board in June 2004.

* Independent



Executive directors

Shown left to right

Hubert Brody (43) BAcc (Hons), CA (SA)
Hubert is the chief executive of Imperial. Hubert joined the group in April 2000 as chief financial officer of Imperial Bank. He was appointed chief executive of the Motor division in 2003. He joined the group and the executive committee in September 2004 and was appointed to the board in August 2006 and as chief executive on 4 July 2007.

Osman Arbee (48) B Acc, CA (SA), H Dip Tax
Osman is the CEO of the Car Rental and Tourism division and chairman of the Motor Dealerships and Automotive Parts Distribution divisions. Osman heads up the transformation committee. He is a director of Distribution and Warehousing Network (DAWN) and Ukhamba Holdings, the group's empowerment partner. He joined the group and the executive committee in September 2004 and was appointed to the board on 4 July 2007.

Manny de Canha (57)
Manny is the chief executive of Associated Motor Holdings, responsible for the import and distribution of motor vehicles. He joined the group in 1996. He was appointed to the board in November 2002.

Tak Hiemstra (51) BCompt (Hons)
Tak is the executive director: strategic development of the group. He is the former managing director of Imperial Bank. He is also responsible for investor relations, is the deputy chairman of Tourvest and is Imperial's representative on the board of Ukhamba, the group's empowerment partner. He joined the group in 1992 and was appointed to the board in July 1993.

Walter Hill (48) HN Dip (Ind Eng), AEP
Walter is the chief executive of the Leasing and Capital Equipment division. He joined the group in 1998 as managing director of Imperial Fleet Services and was appointed to the executive committee in November 2002 and the board in August 2006.

Nazeer Hoosen (43) BCompt, MBA
Nazeer is the chief executive of Regent Life. He joined the group in November 1996 as financial manager of Regent Life, was appointed to the Regent Life board in 1998 and became the chief executive in June 2002. He was appointed to the executive committee in March 2004 and to the board on 4 July 2007.

Hafiz Mahomed (56) BCompt (Hons), CA (SA), HDip Tax
Hafiz is deputy chief executive and the group financial director. He joined the group as financial manager in 1982 and was appointed to the board in March 1989.

Gerhard Riemann (61)
Gerhard is the chief executive of Imperial Logistics International in Germany and is responsible for logistics operations in Europe. He joined the group and the board in January 2000.

Additional member of the executive committee

Marius Swanepoel (46) BCom, Acc (Hons)
Marius is the chief executive of Imperial Logistics in southern Africa. He joined the group in 1992 as financial manager and was appointed chief executive of Imperial Logistics in Southern Africa in October 2005. He was appointed to the executive committee in May 2007.

Chairman's report

L Boyd Chairman

The biggest event of the year was the retirement of Bill Lynch, who led the group for 36 years. An enlarged remuneration and nomination committee of the board spent four months searching for his replacement, from both internal and external candidates.

Hubert Brody, who has been with the group for nine years, was appointed chief executive officer from 4 July 2007. Hubert takes over a group with a 20-year track record of growth since listing, and we are confident he will continue to maintain this excellent record.

In South Africa, consumer spending was again a feature of the year although this began to slow appreciably later in the review period as the combined effect of higher inflation, interest rate increases and a weakening domestic currency began to alter the economic outlook. In addition, the introduction of stringent new credit legislation in June will take time to filter through the various systems and industries.

The local economy continues to grow, reflected in a gross domestic product that is growing in excess of 4% per annum. The international markets in which Imperial operates were equally buoyant. In South Africa, capital expenditure on infrastructural development, expansion and exploration – particularly in the primary sector – continues at levels not seen in many years. This level of activity is particularly beneficial for the group's interests in logistics, leasing and capital equipment, tourism and aviation.

With a customer base spanning individual consumers, and the public and private sectors, Imperial has built a broad-based mobility group with considerable potential for high and sustainable growth.

Empowerment and corporate social investment

Imperial continues to make progress with its social responsibilities in South Africa, particularly in accelerating black economic empowerment. Since the inception of our BEE initiatives, an aggregate of R1,5 billion has been earned by previously disadvantaged individuals and communities from the Ukhamba and Lereko Mobility transactions, which jointly put 16,9% of Imperial's equity under black ownership. During the review period, the value of shareholders' funds in Ukhamba rose to R2,6 billion – 47% of this accrues to black Imperial employees and 6% to a development trust.

Our corporate social investment spending increased 11% to R11 million. Staff training was provided at a cost of R77 million. The group has also established a skills development and training fund of R100 million aimed at improving leadership, managerial and other skills levels throughout the organisation.

Imperial has built a broad-based mobility group with considerable potential for high and sustainable growth.

Governance

Stringent corporate governance is a core value at Imperial. Board sub-committees are functioning well and governance structures are continually reviewed to ensure that our group is aligned with international best practice.

Directorate

Imperial as we know it today owes its enviable reputation as a dynamic leader in the mobility industry to Bill Lynch. He was the driving force behind the group's growth and success, which was achieved through the team of executives he has built around him. By the time of his retirement, the necessary structures and leadership were in place to continue and indeed accelerate along the path of growth and development set under his leadership.

The board, on behalf of all shareholders, expresses gratitude and appreciation to Bill for his exceptional leadership and the outstanding growth achieved by Imperial.

We welcome Osman Arbee and Nazeer Hoosen as executive directors and wish them success in their new roles.

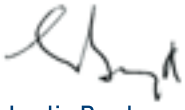
Ralph Boëttger, who has been with the group for nine years, resigned on 31 May 2007. We thank him for his dedicated service and wish him well.

The board is further pleased to announce the appointment of Thulani Gcabashe as the new deputy chairman of Imperial, with effect from 1 January 2008. He is special adviser to the office of the chairman of Eskom and was previously the power utility's chief executive officer. The position of deputy chairman has been vacant since the untimely death in 2006 of Eric Molobi, a long-serving member of the board.

Prospects

Although the retail environment has deteriorated and investment markets are at high levels, the group does have contra-cyclical businesses that will benefit from continuing strength in the economy. This, together with a recovery in underperforming businesses should enable us to achieve good overall growth in earnings.

Our thanks goes to Bill Lynch, our management team and all our people for the commendable results achieved in 2007.



Leslie Boyd
Chairman

Bill Lynch

Imperial owes an enormous debt of gratitude to Bill Lynch, the architect of our expansion into the powerful mobility group we are today. Throughout his 36 years with Imperial, he has inspired thousands of employees with a positive and entrepreneurial attitude to business, and indeed to life. All of those whose careers were touched and moulded by his energy and wisdom salute his legacy to the organisation they have inherited.

Executive committee

Standing (from left):

Hafiz Mahomed, Nazeer Hoosen, Tak Hiemstra, Manny de Canha and Hubert Brody.

Seated (from left):

Marius Swanepoel, Osman Arbee and Walter Hill.

Chief executive officer's report

Q: What are the main features of the 2007 financial result?

A: Results for the year, achieved amid significant challenges to some of our businesses, demonstrate the resilience of the group's business model. Headline earnings per share were up 17% to 1 434 cents, with revenue 22% higher at R66 billion. Attributable profit rose 24% to R2 776 million and the annual distribution to shareholders was up 18% to 560 cents per share.

Challenges included a weaker rand, which affected margins in our vehicle import businesses, slowing vehicle sales due to interest rate hikes and the immediate impact of the National Credit Act in June. In addition, Commercial Vehicle Holdings incurred a loss at the operating level, which required decisive management interventions. The net effect on our operating margin was a reduction to 7,6% from 8,2%.

The leasing division has expanded into the capital equipment market, which has significantly increased revenue and operating profit in that area.

The contribution from international operations has shown encouraging growth, rising to 25% of revenue and 13% of operating profit.

Q: You've stepped into the boots of Bill Lynch, who built the group to the successful business it is today. How do you plan to maintain the momentum?

A: Imperial's momentum is due to the culture instilled by Bill. Under his hand, the group had the ability consistently to identify and capitalise on significant trends in mobility-related segments of the economy. Today's management recognises the importance of studying our markets to enable us to make strategic moves that set us apart from our peers in the industry. Our recent successful entry into the capital equipment and earthmoving segments is further testimony to this ability to enter new markets quickly. This spirit of entrepreneurship will most certainly continue into the future. The culture in our group is also of a highly empowering and decentralised nature, so all our divisions constantly seek growth and expansion opportunities.

Hubert Brody Chief executive officer

Chief executive officer's report

Q: Overall growth in the group was strong from a high base, yet margins came under pressure in some areas. What caused this?

A: Margins need to be evaluated relative to our business mix. During 2007, we had a full year of operation from the lower margin of UK businesses acquired from RAC plc, against only three months in the previous year. Weak operating results in commercial vehicle distribution significantly affected margins, as did somewhat tougher trading in our motor vehicle distributors due to the weaker local currency. On the other hand, motor dealerships and leasing and capital equipment improved their margins due to more services and value-added products in the business mix. Car rental pricing improved during the second half of the year although the divisional result was affected by weaker used vehicle trading conditions.

Q: Imperial's entry into the mining and construction services industry paid off well. Do you plan more portfolio diversification?

A: We will study our portfolio very carefully and ensure it is positioned to capitalise on the most significant opportunities in the domestic economy, but also to include hedge qualities. In this respect, it is likely that much more emphasis will be placed on service-related opportunities, to balance our significant capital investment-intensive businesses. We will also carefully consider the spread of business in the retail sector relative to our commercial and industrial exposure.

Q: Headline earnings per share growth of 17% is lower than in recent years, yet the economy is strong – domestically and internationally. What is the reason for this apparent contradiction?

A: Results were very strong if the disappointing results of our commercial vehicle distribution operation are normalised. Equally, these results were achieved despite the fact that motor vehicle dealerships were affected by implementation issues from the National Credit Act, which came into effect on 1 June. With our 25 June year end, there was no opportunity to make up the exceptionally weak trading.

Q: Revenue grew 22% against 27% in 2006. Is this a trend that concerns you?

A: Last year still saw significant growth in vehicle sales, achieved before interest rates began to rise. This year passenger car sales were down and total volumes were flat. We know that the vehicle market has traditionally been cyclical and we had enjoyed three years of growth of 20% and more. We believe that the long-term upward trend in vehicle sales, which is buoyed by first-time buyers, is still in tact. The demographic realities of an emerging black middle class will continue to necessitate a need for growing private car ownership.

Q: What is your view on vehicle sales in the year ahead?

A: The interest rate increases effected by the monetary authorities are showing the desired effect, particularly in conjunction with the impact of the National Credit Act. It can therefore be expected that weaker trading conditions will continue for some months. However, due to improved levels of employment and the entry of many more black people into the more affluent middle class, significant demand is building up that we believe will create a strong new cycle. We expect passenger car sales to be lower, but small, medium and large commercial vehicle sales to continue strong growth.

Q: What are your views on the strength of the balance sheet?

A: Our balance sheet is well managed. Assets comprise a healthy mix of revenue-earning fleets, properties (which have proved to be an excellent investment based on our general policy to own rather than lease) and

motor vehicle stocks, which are very liquid. Funding comprises a variety of instruments; most notably we have significantly extended the tenor and variety of our borrowings. Together with available long-term committed standby facilities of more than R6 billion, Imperial has ample liquidity for its needs.

Q: Are you concerned about the level of net interest-bearing debt, having gone from R9,9 billion in 2006 to R11,5 billion in 2007?

A: Although debt has increased, our gearing is within healthy parameters given our asset mix. Gearing was 91% in 2006 and is now at 85%, a notable improvement despite significant balance sheet growth. Imperial's financial flexibility positions it very well to further grow in parallel with the expansion of our economy. In addition, gearing is further improved when the preference shares that are treated as debt, are taken into account as equity, revising the gearing ratio to 81% (see Annexure D).

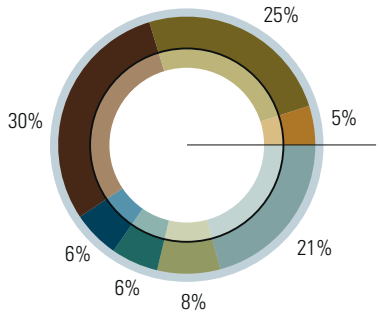
Q: The loss at Commercial Vehicle Holdings was incurred while commercial vehicle sales performed very well. What is the problem at CVH?

A: CVH suffered from excessive growth that was not countered with adequate sophistication in management processes and planning. During the first half of the year, we started making management changes and we are continuing to improve processes and disciplines in the business. Due to the size and sophistication of this business – which is the local importer and distributor of International, DAF and Renault trucks and VDL buses – re-establishing it as a force in the heavy vehicle market will take some time. However it will be worth our while due to the strong brands we hold and the opportunities the industry offers for the sale of these vehicles.

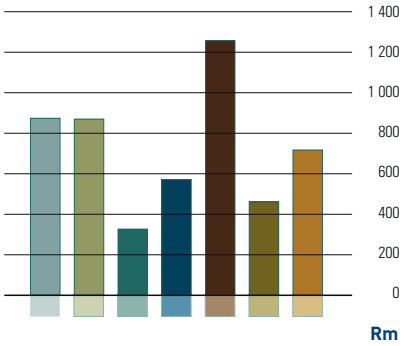
Q: The National Credit Act was in effect during the last month of the financial year and already impacted heavily on car sales. How will it affect Imperial over the next year?

A: The new act on the one hand requires banks to verify the creditworthiness of consumers more comprehensively than in the past, which has created some weakness in the market. On the other hand, it creates a more flexible financing environment and the ability to structure finance to ensure better affordability. Overall, in the long run the Act is positive for the economy in relation to the sustainability of the credit environment. After the initial implementation backlogs at banks have been cleared, we will be able to observe more normalised volumes. It will however be difficult to ascertain the impact of the NCA relative to the impact of a tighter interest rate environment.

Divisional contribution to revenue 2007



Divisional operating profit



- Logistics
- Leasing and Capital Equipment
- Aviation
- Car Rental and Tourism
- Distributorships
- Motor Dealerships
- Insurance

Chief executive officer's report

Q: You have a large exposure to consumer-related financial services. How will the new credit act affect these businesses?

A: Yes, in addition to the impact on motor vehicle sales in our associate Imperial Bank this act impacted the Motor Finance Corporation (MFC) and also affected our insurance companies. MFC coped very well with the implementation of the act through its flexible systems and fast decision processes. It gained the respect of motor vehicle dealers throughout the industry, which has been very favourable for the brand. During June and July, MFC still achieved record volumes despite implementation of the act. However, new policy sales in our insurance companies were quite severely affected during June. Although industry-wide policy sales volumes improved subsequent to year end, it is not certain to what level these will return when dealers and all banks have learnt to cope operationally with the impact of the act. In addition, credit life and top-up casualty insurance products are now sold mainly on a monthly premium basis, which may lead to a higher lapse ratio. This will be addressed partially by actions we have taken in conjunction with banks to minimise lapses.

Q: Infrastructure spending has now begun in earnest. What is Imperial's exposure to this trend?

A: Imperial identified this trend and during 2006 created capital equipment and infrastructural services activities in the leasing division, which has been renamed to include capital equipment in its title. The first step was to acquire MCC, an equipment rental, earthmoving and mining services business. We also obtained the distribution rights for Terex, the third-largest mining and earthmoving equipment brand in the world and for New Holland Construction, which specialises in similar equipment. These businesses all performed extremely well during the year and provided us with significant exposure to the infrastructural investment cycle and international demand for commodities. Our heavy commercial vehicle franchises, most notably Freightliner, Nissan Diesel and Mercedes Benz trucks, also benefited significantly from this trend during 2007. We continue to look for appropriate opportunities that will benefit from the South African fixed investment cycle, which is expected to continue its momentum for a number of years.

Q: The car rental business results have grown slowly. What are the reasons for this and the prospects for the business?

A: Competition on price has escalated with a number of new entrants to the car rental market in recent years, and Auto Pedigree sold 10% fewer used vehicles in 2007.

The car rental business will benefit from the growth in the economy and leisure travel, recent improvements in rental margins, and capitalise on the growing number of tourists visiting our country. The Europcar franchise agreement has been extended for a substantial period, and as a result we have merged the back offices of Imperial Car Rental and Europcar which will result in future cost saving.

With the increase in new car pricing and interest rates, Auto Pedigree will benefit from consumers who buy a used vehicle instead of a new one.

Q: Is the tourism division geared to benefit from 2010?

A: Definitely. Tourist numbers are currently growing at rates above 7% annually and this should increase towards 2010. The experience in other countries that hosted major sporting events indicates that there is a strong follow through of visitors after the event. Tourvest is structured to follow the spending of international tourists to South Africa in many different ways. We can therefore assume that its inbound tourism operations, its foreign exchange business and its tourist retail business will benefit substantially from the Soccer World Cup.

Q: Why has Imperial then announced its intention to dispose of its interest in Tourvest?

A: This does not mean that we think it's not a good investment. On the contrary, we are excited about its short-, medium- and long-term prospects. However, many of its operations, like retail, curios, restaurants and the like fall outside of our chosen frame of tourism activities, and we believe there are other parties who will be able to benefit from its diverse array of operations.

Q: Tourvest and Aviation – the other business you indicated a desire to sell – are both rand-hedges. Is the group not concerned about the loss of some rand-hedge qualities?

A: The disposal of these businesses will indeed weaken our rand-hedge qualities, but must be weighed against Tourvest essentially being an operation outside our field of expertise and the capital intensive nature of the aviation business. Together, they contributed around 10% of our profits, which means that their rand-hedge qualities were relatively small and of limited value from that perspective. We will evaluate the remaining rand-hedge qualities of the group and consider improving these through a variety of available options, including the expansion of our wholly owned tourism businesses in niche markets and of the UK and European businesses. These businesses are well understood by our management and very similar to our domestic operations. Therefore we can pursue such expansion opportunities with confidence.

Q: Does this mean that Imperial is totally withdrawing from tourism and aviation?

A: No, Imperial will still have significant interests in tourism-related sectors – from car rental to luxury coach hire and ancillary services. We are bullish about the tourism sector and well positioned to participate in its growth over the next few years and beyond. In the aviation field, we intend to dispose of our capital-intensive interests to parties better equipped to manage them, but retain our leading brand distributor of general aviation products.

Q: The Imperial of today has a broad portfolio of businesses. What is the strategy for developing their full potential?

A: Imperial's portfolio is being reassessed in pursuit of the optimal business mix, given the economic outlook, the cost of capital and our proven skills set.

Although our core business is to own, operate and trade in mobility assets, the capital intensity of this strategy has to be carefully considered against our gearing capacity. Therefore, capital has to be allocated to areas where we expect optimal returns to be achieved, and which are aligned to our broader strategy for achieving long-term sustainable growth. Opportunities are being defined for acquisitions and the creation and development of new businesses that fit our business model, skills and area of focus.

Q: What were the main thrusts of the group's expansion during the past financial year?

A: Corporate and divisional activity during the year included the following:

- In the distributorships division, five new car dealerships and three motorcycle dealerships (including a new Aprilla distributorship) were opened in South Africa, and a Mitsubishi dealership was opened in Sydney, Australia. The division also established a Tata truck hire business and acquired Alert Engine Parts to expand its parts distribution business.
- The dealerships division opened two new and 11 used car operations and a new commercial vehicle operation. As a value-added operation, we acquired a controlling interest in Jurgens Ci (Pty) Ltd, the manufacturer and distributor of leisure caravans and camping equipment.

Chief executive officer's report

- In the logistics division, Imperial Logistics International acquired Laabs GmbH Tank-Logistic, a liquid transport specialist effective from the new financial year.
- In the leasing and capital equipment division, Terex Africa and the distribution rights for New Holland Construction and JCB Teletruck earthmoving equipment, and Excelrate battery-handling equipment for forklifts were acquired.
- In the aviation division, Imperial Air Cargo was successfully established and has gained a meaningful share of the domestic air cargo market.
- In the insurance division, Regent Life entered the employee benefits market by acquiring the business of an existing consultancy.

Q: Imperial has businesses in Germany, Australia and the UK. How have they performed?

A: Revenue from these businesses increased by 50%. The German logistics business did particularly well because many of our outsourcing contracts in Panopa Logistics have started to mature. Exports from Germany to the strong Asian economies have grown and we benefited from that. We are also satisfied with the performance of our UK commercial vehicle dealerships despite difficult trading conditions. Multipart performed well and has moved into a new parts distribution centre in Chorley, near Manchester. The skills base and intellectual property of this business have promising applications across our group. However the business is vulnerable due to its dependence on a few large contracts. The dealerships in Australia had a better year as we implemented operational improvements and Ford re-established its product line-up in Australia.

Q: What is the strategy for further international expansion?

A: We will expand internationally in business segments that we know and in geographical areas where the regulatory and business environment is stable and well understood. This strategy will evolve as we reconsider our rand-hedge qualities and capital allocation options.

Q: Many South African companies struggle with transformation and employment equity. How is Imperial coping?

A: These issues are high on our agenda. In particular, we believe training and advancing junior employees through the ranks of our organisation are paramount to reach an acceptable level of representation over time of all races and of both sexes in Imperial. Accordingly, the board approved a R100 million investment over five years to establish an internal leadership and training academy. This academy will place particular emphasis on identifying and advancing talented black employees, both technically and in a management context. We have also finalised two very successful empowerment transactions over the past three years, with Ukhamba Holdings (a broad-based employee investment trust), and with Lereko Mobility, which also has a significant broad-based element. The regular interaction we have with these shareholders plays a further role in the transformation of our group and these shareholdings have positioned us well on the generic Department of Trade and Industry (DTI) empowerment scorecard.

We were privileged that Thulani Gcabashe has agreed to join our board as non-executive deputy chairman from next year. Thulani made a great success of his tenure as CEO of Eskom and we look forward to having him on board. We currently have 22 directors, nine of whom are black. Of our seven South Africa-based executive directors, three are black.

Q: How will Imperial be allocating capital in future?

A: Given our complete understanding of the scarcity and cost of capital, we will sharpen our focus on returns and hurdle rates, and the acceptable

timeframes to reach these. Our primary aim will be to enhance returns on all our resources – financial, human and infrastructural. This will require a more fundamental examination of the optimal composition of the group to maximise returns and gearing. Capital efficiency has to be unlocked to facilitate growth into areas with the right balance between risk and return, and shareholder value has to be unlocked by better definition and exposure of the value pockets in the group.

Over the years, Imperial has proven its ability to create and build businesses of considerable scale. Some of these have reached a stage of maturity to pursue their own destinies and attract their own investor bases. As such, we are evaluating initiatives to release capital from non-core activities and capital-intensive businesses. As I noted, a process has been initiated regarding our 66% stake in the listed tourism company, Tourism Investment Corporation Ltd, which falls outside our chosen frame of tourism activities. Equally, our aviation division (excluding NAC) has been earmarked for disposal because of its high demand on capital. While the division is home to fine businesses with exceptional skills in the aviation industry, it was decided to offer our shares for sale to trade buyers who are willing to commit the necessary capital to realise the full potential of these operations.

Q: Does Imperial have adequate funding or resources to grow its operations in line with the economy while funding a significant full maintenance leasing portfolio?

A: We have adequate funding for transactions that earn the right returns. We started two years ago to ringfence a number of our fleet assets and fund them separately from the rest of the group in Imperial Capital. This will continue and we are constantly studying new methods of optimising the gearing and funding costs in the capital intensive divisions.

Q: What are the group's prospects for the year ahead?

A: On balance, the macro-economic environment in South Africa presents a growing market for Imperial's products and services, but one that is not without its challenges. The retail environment for consumers has deteriorated over the past year and we expect difficult trading conditions in our motor operations to persist for most of the new financial year. In addition, the impact of new credit legislation in the insurance operations and possible weaker investment markets may limit growth in our insurance division. However, we have several contra-cyclical businesses that stand to benefit from continuing strength in the South African and global economies. There are also businesses in the group that have not performed to their full capacity in the past year and their recovery should further assist in enabling Imperial to achieve overall good growth in earnings.

Appreciation

At the conclusion of another successful year for Imperial, I would like to thank those who contributed to this performance, particularly our staff at all levels, our customers, our suppliers and the public sector.

The suppliers of our capital, namely our shareholders, banks and capital market investors, have placed trust in us as management, and I wish to thank them for that.

Lastly, I thank our board of directors who guided us in our deliberations with valuable insight and wisdom.

Hubert Brody
Chief executive officer

28 August 2007

Southern Africa

Imperial's logistics operations in southern Africa are segmented into three key business divisions:

- **Transport and warehousing**
  Delivers full-spectrum logistics and supply chain services throughout South Africa and in neighbouring countries. Services include line-haul, local distribution, consolidation, warehousing and logistics, transport broking and marketing, cross-border transport, supply chain management and logistical solutions.
- **Specialised freight**
  With the largest and most modern tanker fleet in the country, this division provides dedicated, specialised transport services to tanker industries throughout Africa. It is the brand leader in the petrochemical industry, with unrivalled expertise in managing health, safety and environmental requirements.
- **Consumer products**
  An integrated supply chain solution to a wide range of fast-moving consumer goods (FMCG) companies, as well as the agriculture and furniture markets. The division distributes into top-end retail, mid-market trade and smaller retail environments, and offers express food distribution, and merchandising services.

Our reputation is founded on developing solutions for our diversified blue-chip customers' needs by leveraging processes, people, technology and assets, and the strength of our strategic partnerships and alliances with leading technology enterprises. Our track record is underpinned by our ability to determine the correct operating model, including identifying which logistic functions to outsource and which to keep in-house.

Results

The domestic operations had a solid performance with revenue and pre-tax profit growing by 10,6% and 14,1% respectively, although growth was somewhat tempered by the partial sale of the division's fuel distribution business to BEE entities. The consumer logistics operation performed well, but the car carrier, Forecourt, suffered from lower volumes.

The local division stabilised the margin decline in the first half to achieve a full-year margin of 7,7% against 7,9% last year. Strict working capital management and lower net capital expenditure resulted in an interest saving in this part of the division.

"The international logistics markets take benefit from the global trend to outsourcing and integrated production systems. Transport volume will increase further and customers will look for logistics providers who can combine deep knowledge of the industry with sophisticated but reliable systems and flexible, experienced staff. Imperial Logistics International is a supplier meeting these requirements and the group enjoys a very good reputation in its blue-chip customer base."

Gerhard Riemann, chief executive officer of Imperial Logistics International

"As the leading logistics provider in South Africa, we work closely with our diverse base of blue-chip customers to understand their specific needs. Our extensive logistics networks incorporate proven processes, people, technology and a modern fleet of vehicles, supported by sophisticated warehousing, to provide our customers with integrated and cost-effective supply chain solutions."

Marius Swanepoel, chief executive officer of southern Africa Logistics operations

Growth in revenue was fuelled by capitalising on greater outsourcing opportunities and organic growth within our current customer base, several smaller niche bolt-on acquisitions, buoyant consumer spending, and increased growth in the construction industry. Operating margins were affected by the movement in the fuel price, higher costs in sub-contractors and capital equipment, and the resultant increase in transport operating costs.

In our current customer base, outsourcing opportunities remain an important source of revenue growth, as the benefits of specialisation continue to encourage customers to outsource non-core activities such as logistics. Given our strategic commitment of cooperation to facilitate customers' supply chain requirements, we were awarded significant new contracts during the year.

Europe

Imperial's European logistics business comprised four operating units:

- Panopa Logistik – high-value-added solutions to steel, paper and other industries through warehouse management and sequence-in-line supply to auto production facilities
- Neska – inland waterway container and bulk terminal services
- Imperial Reederei – inland waterway shipping of dry and liquid bulk commodities
- Brouwer Shipping – ocean-going ship broking and chartering.

In the new financial year, Imperial Logistics International acquired 100% of Laabs GmbH Tank-Logistic, a liquid transport specialist. The company has a fleet of 110 tanker trucks servicing the chemical and food industries in Europe.

This acquisition strengthens our position in key industrial sectors in Europe where we have concentrated on building enduring relationships.

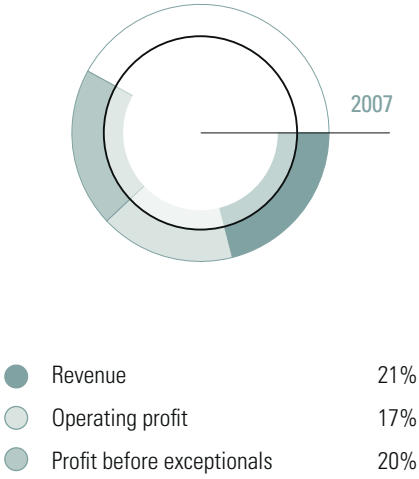
Results

Imperial Logistics International achieved excellent results, with revenue growing by 5% and operating profit by 13% in euros. After currency conversions, growth in rand terms was 26% and 32% respectively. The improvement was balanced throughout the division, reflecting strong demand for German exports.

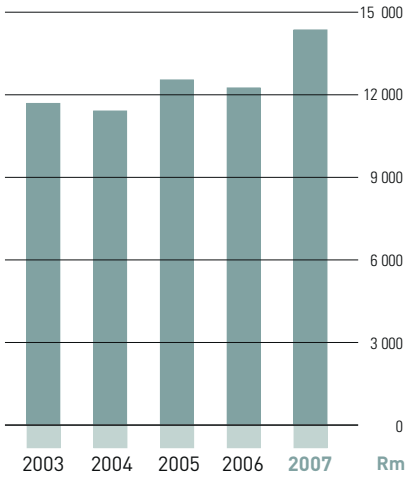
Divisional review

	2007 Rm	2006 Rm	% Change
Revenue	14 562	12 426	17
Operating profit	869	763	14
Net financing costs	60	76	(21)
Profit before exceptional items	820	688	19
Operating assets	8 470	7 702	10
Non-interest-bearing liabilities	3 720	3 005	24
Interest-bearing borrowings	1 661	1 322	26
Capital expenditure	1 031	1 210	(15)
Operating margin	6.0%	6,1%	
Employees	15 930	15 229	5

Divisional contribution



Revenue



Divisional review Leasing and Capital Equipment

This division has a number of entrepreneurial business units providing solutions for mobility assets that span passenger, light, medium and commercial vehicles for a diverse customer base. It also provides forklifts, warehouse handling and earthmoving equipment.

During the year, the division successfully refined its business model towards a higher value-added composition with the smooth integration of the MCC acquisition. It also obtained the distributorships for Terex and New Holland Construction equipment from January and set up the appropriate infrastructure to capitalise on strong demand for capital equipment throughout the sub-continent and for the division's own requirements. Terex and New Holland Construction are global brands whose suitability for sub-Saharan markets is evident in the level of orders received to date.

This strategic realignment is expected to address growing competition from manufacturers and banks by broadening the division's range of services and lessening the dependence on pure financial margin as a source of income.

During the year, the division expanded its passenger vehicle operations and is now active in Nigeria, Kenya and Tanzania in addition to activities in SADC territories. The industrial equipment business secured strategic franchises to entrench its position in this market and the UK-based materials handling rental business is being expanded into a national operation.

Results

The division achieved an excellent performance, with revenue increasing by 73% and operating profit by 60%. After finance charges, which increased by 43%, net profit before tax was 67% higher. The division grew its asset base by R2,0 billion. Diversification into the ownership and operation of higher-yielding earthmoving equipment benefited the division, as MCC and Terex gained several new opencast mining contracts in the platinum industry and executed them well. These contracts are continuing and substantial new business is under consideration. The plant-hire business, although a relatively small contributor to earnings, is also benefiting from increased demand.

The passenger and commercial vehicle leasing business grew its fleet by 13% to 17 462 units, excluding the run-off of the government contract fleet. We continue to expand our business into the rest of Africa, with operations in Namibia, Botswana, Kenya, Tanzania, Angola and Nigeria.

"The diversity of mobility solutions offered by the group and our clear focus on asset classes that provide the required returns ensure we can continually add value across economic cycles."

Walter Hill, chief executive of Leasing and Capital Equipment

The forklift leasing business in South Africa performed well, growing its fleet by 3% to 7 866 units. The forklift business in the UK surrendered the Toyota forklift franchise during the year but continues to operate as a general forklift leasing company and achieved good growth in earnings. The UK fleet is 3% higher at 3 138 units.

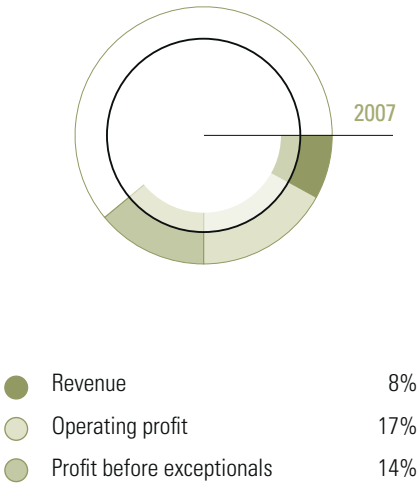
In addition to the Terex and New Holland Construction distributorship, we established a battery power management business, supplying forklift batteries, charges and generators.

R1,0 billion was added to the division's fleet value during the year as net capital expenditure grew by 60%. Inventories, principally stocks of Terex and New Holland Construction equipment, increased by R640 million.

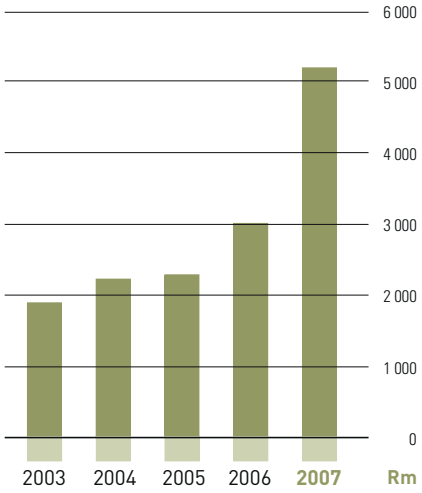
Divisional review

	2007 Rm	2006 Rm	% Change
Revenue	5 228	3 028	73
Operating profit	865	540	60
Net financing costs	280	196	43
Profit before exceptional items	565	338	67
Operating assets	7 199	5 171	39
Non-interest-bearing liabilities	1 722	907	90
Interest-bearing borrowings	3 930	2 870	37
Capital expenditure	2 743	1 837	49
Operating margin	16.5%	17,8%	
Employees	4 657	3 829	22

Divisional contribution



Revenue



Divisional review Aviation

Our aviation division is being restructured to lessen its exposure to pure financial leases to airlines. This part of our business, albeit small, has been severely affected by rand strength in recent years, which has reduced aircraft values in local currency, and the rand value of dollar-based income sources.

Safair has nonetheless operated its contracted Hercules aircraft fleet effectively and increased its customer base for this highly specialised work worldwide. We have continued to trade well in these aircraft.

Based in Europe, the division's operations under Air Contractors manage cargo flights for a premier customer base, including DHL, FedEx, Europe Air Post and the Royal Mail.

NAC is the leading aircraft sales organisation in the South African general aviation market, with distribution rights for Beechcraft and Hawker fixed wing aircraft and Bell and Robinson helicopters. NAC owns and operates the largest pilot training school in South Africa, and undertakes contract and charter flying to many African destinations.

Naturelink specialises in contract flying and aircraft sales, with a fleet of more than 40 aircraft.

Safair Lease Finance, a joint venture with Sanlam, owns 15 aircraft on lease to SAA, KLM and European Air Transport.

"Imperial Air Cargo was successfully established in August 2006 and has secured a meaningful share of the domestic air cargo market."

Hugh Flynn, chief executive officer of Aviation division

Results

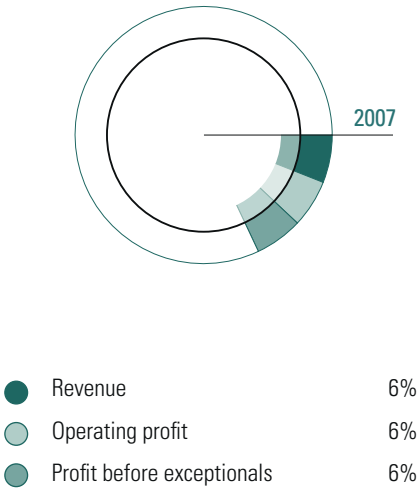
Pleasing results were achieved by the division, which recorded pre-tax profit growth of 32%, although a substantial portion was earned from the sale of aircraft. Imperial has decided to limit new capital allocations to this division, which resulted in a reduction in debt of 17% to R1,9 billion.

The dry leasing operations of our associate, Safair Lease Finance, performed well, as did the European freight business, Air Contractors. NAC recovered satisfactorily from a weak performance last year, with strongly increased sales of 64 new and 61 used fixed and rotor wing aircraft.

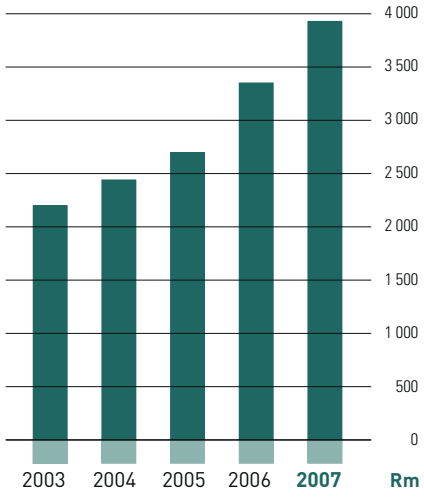
Divisional review

	2007 Rm	2006 Rm	% Change
Revenue	3 925	3 349	17
Operating profit	324	280	16
Net financing costs	171	169	1
Profit before exceptional items	230	174	32
Operating assets	3 454	3 786	(9)
Non-interest-bearing liabilities	683	606	13
Interest-bearing borrowings	1 916	2 310	(17)
Capital expenditure	210	520	(60)
Operating margin	8,3%	8,4%	
Employees	1 286	1 350	(5)

Divisional contribution



Revenue



Divisional review Car Rental and Tourism

Through our car rental businesses – Imperial Car Rental, Europcar and Tempest-Sixt – we are a dominant force in this market in South Africa. These businesses are complemented by Auto Pedigree, which retails our used car fleets, and our panelshop operations. Our wholly owned tourism businesses comprise Springbok Atlas, an inbound tour operator with 121 luxury coaches, and several niche and vehicle-based tour operations in southern Africa. We also manage the Maui Britz franchise for southern Africa, which rents camper homes and 4x4 vehicles.

Imperial owns 66% of Tourvest, a listed diversified tour operator active in inbound tour operations, corporate travel agencies, tourist related retail and tourism products and financial services. Following a successful restructuring to expand its investments outside South Africa, Tourvest has entered new market sectors in the Caribbean, Nigeria and east Africa. Locally, it has diversified into the hotel, game lodge and destination restaurant sectors.

Tourvest's financial services activities, including the franchise for American Express products, complement its inbound and outbound services.

Through these diverse businesses, we have significant exposure to the growing tourism industry. Our strong relationships and support from the foreign tour operators assisted with market share growth in the private tourist sector, while the quantum of infrastructural development under way in South Africa underpins growth in our corporate business.

Results

The car rental operations increased turnover by 15% on a 13% larger average fleet. Margins in the rental business were maintained amid higher accident-related costs and operational challenges due to exceptionally high demand at peak periods. The used vehicle business experienced declining volumes and margins, which detracted from overall performance, while

"Strong brands and the prudent diversification have entrenched Imperial's position in this market, and have given us a distinct competitive edge."

Osman Arbee, chief executive officer of the Car Rental and wholly owned tourism operations

"With growth in inbound domestic tourism at around 7%, and international expansion well under way, prospects for Tourvest are strong."

Tommy Edmond, chief executive of Tourvest

the wholly owned tourism operations achieved good growth in profit and contributed well.

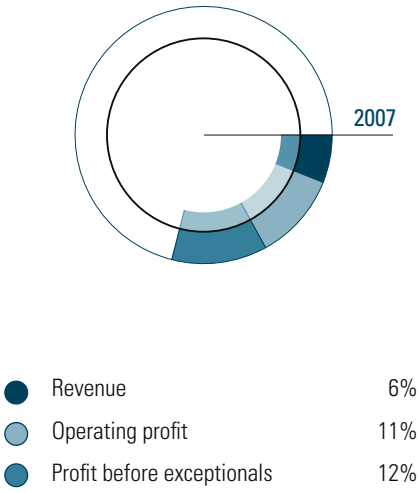
Following the successful extension of the Europcar agency agreement for a substantial period, we have consolidated the Imperial Car Rental and Europcar back offices with effect from the new financial year. We expect significant benefits from this initiative in the long term.

Tourvest had an excellent year, with headline earnings per share increasing by 26%. Operating profit grew by 18%, with the strongest contributions coming from financial services and tourist retail.
The company benefited from the weaker rand, which boosted foreign tourist numbers and spending. Several hospitality products were acquired where synergies exist with our tour operators. Tourvest's comprehensive offering to foreign tourists positions the company well for an expected tourist upswing in the medium term.

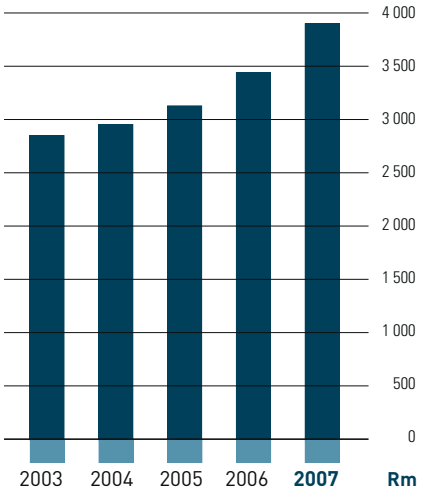
Divisional review

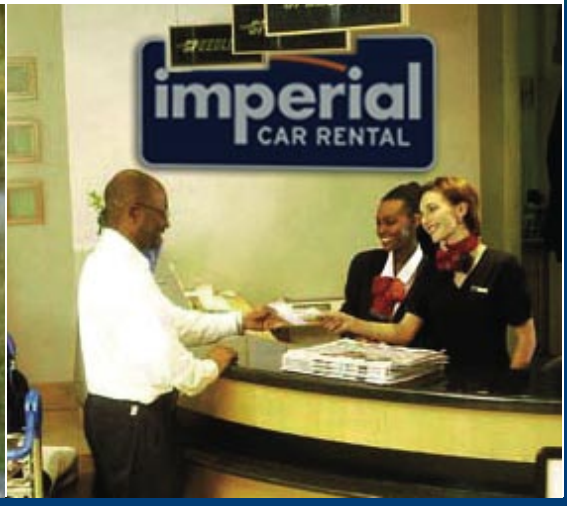
	2007 Rm	2006 Rm	% Change
Revenue	3 898	3 441	13
Operating profit	568	507	12
Net financing costs	54	46	17
Profit before exceptional items	514	461	11
Operating assets	2 888	2 312	25
Non-interest-bearing liabilities	806	718	12
Interest-bearing borrowings	688	304	126
Capital expenditure	1 316	1 048	26
Operating margin	14,6%	14,7%	
Employees	6 283	5 166	22

Divisional contribution



Revenue





Divisional review Distributorships

This division is an importer and distributor of selected passenger cars, trucks, motorcycles and auto parts, with carefully targeted operations in South Africa, the UK and Australia.

By owning most of the dealerships for these products, our unique business model ensures we effectively manage the chain of imports to the end user. Steady and significant investments in dealership facilities underpin the success of our various brands and have entrenched our long-term relationships with suppliers. In addition, the growing maturity and market presence of certain brands is now producing sustainable revenue from parts and services.

The South African auto parts operation has captured material market share in its first 18 months of trading, underscoring our group's ability to grow a greenfields business rapidly. Significant cooperation between the local and UK-based parts business is proving mutually beneficial. The latter, Multipart, was acquired in April 2006 and focused on expanding its customer base and industry exposure.

In the commercial vehicle market, we distribute leading global brands that cater for customer preferences in terms of European or US vehicles.

Results

The division increased revenue by 30%, assisted by the addition of the UK operations. However, margins in the UK are significantly lower than in the South African businesses. In addition, problems in truck distribution and the weaker rand further depressed margins, to leave the divisional operating profit margin lower at 6,0% compared to last year's 9,4%.

Associated Motor Holdings, the importer and distributor of popular Asian and European vehicle brands, continued to grow market share but recorded a lower operating margin in the first half due to a weaker rand. Sales

"Strong brands and prudent diversification have entrenched Imperial's position as a vehicle distributor. In a country where vehicle ownership is essential for all economically active people, Imperial is strongly positioned with fast-growing brands and some of the market's most popular entry-level products."

Manny de Canha, chief executive officer of Associated Motor Holdings (Pty) Ltd

of motorcycles have increased strongly, becoming a notable part of the division. Profitability from after-sales services and financial services income improved markedly over the period. The effects of higher interest rates and the slowdown in transaction processing following the introduction of the National Credit Act have been negative for new car volumes.

An operating loss was incurred in Commercial Vehicle Holdings, where the increased variety of brands, with the addition of DAF, Renault trucks and VDL buses to the original international model ranges, added significant complexity to the business. Management changes were made and fundamental restructuring is under way. We believe that with the necessary management focus and strong demand for heavy commercial vehicles, we will be able to effect a turnaround to underpin a resumption of earlier growth levels.

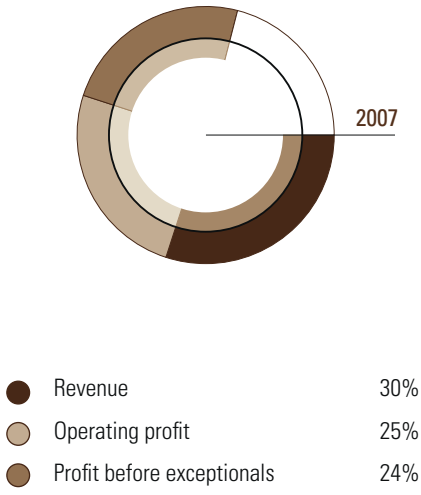
The DAF and LDV van dealership group in the UK, acquired from the Lex group in April last year, performed in line with our expectations. Multipart, a distributor of automotive parts from a new state-of-the-art distribution centre in the Manchester area, performed satisfactorily. The new distribution centre was successfully commissioned and further improvements to the business can now be expected.

The South African auto parts business made a good contribution to profits this year. Management responsibility for the UK and SA auto parts businesses have been consolidated and further opportunities in this field are being pursued.

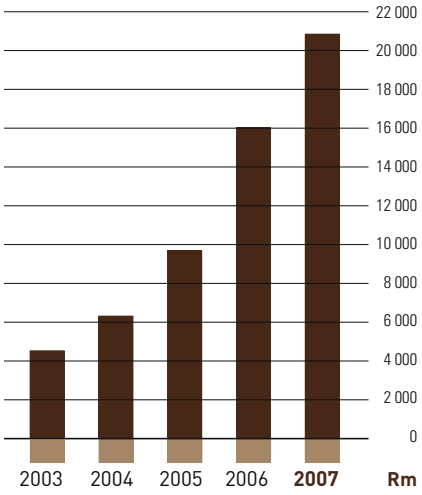
Divisional review

	2007 Rm	2006 Rm	% Change
Revenue	20 824	16 009	30
Operating profit	1 251	1 503	(17)
Net financing costs	251	113	122
Profit before exceptional items	978	1 307	(25)
Operating assets	9 879	9 029	9
Non-interest-bearing liabilities	3 864	3 538	9
Interest-bearing borrowings	2 897	2 012	44
Capital expenditure	1 406	1 127	25
Operating margin	6,0%	9,4%	
Employees	7 838	7 140	10

Divisional contribution



Revenue



Divisional review Motor Dealerships

This division represents motor vehicle brands with an original equipment manufacturer (OEM) presence in South Africa. The spread of franchises is well balanced among established makes – such as Audi, BMW, Mercedes Benz, Ford, Honda, Mazda, Nissan, Opel, Toyota and Volkswagen – and newer entrants to southern Africa markets, including Chevrolet, Cadillac, Chrysler and Seat.

Competition in this market has intensified to unprecedented levels given the plethora of consumer choices and inherent restrictions on gross margins of motor vehicle franchisees. The division has successfully diversified its income from secondary sources – with parts, service and other value-adding products now constituting a significant proportion of total gross profit. In addition to the Beekman Canopies business acquired in 2006, in April 2007 we acquired Jurgens Caravans, an iconic outdoor leisure brand in southern Africa. These acquisitions are prime examples of leveraging off our dealer network to enhance the competitiveness of acquired companies.

Results

Results for the year underscore the strength of the division's relationships with OEMs, continued investment in facilities to provide superior after-market services and further improvements in efficiencies and working capital management.

Revenue increased by 13% to R16,9 billion against intense competition and the introduction of new vehicle brands. Unit sales in the division increased by 10%, much of this attributable to the used car market, where units sold were up 17%. Light commercial vehicle sales rose by 28%.

"In an increasingly competitive marketplace, we have successfully diversified our income from secondary sources relating to the sale of vehicles."

Phillip Michaux, chief executive officer, Motor Dealerships division

The operating margin was 2,7% compared to 2,5% last year. This is attributable to satisfactory gross margins coupled with good income earned from the sale of financial intermediary products. Finance costs increased mainly due to the division's investments in new facilities, resulting in pre-tax profit increasing by 9,2% to R343 million.

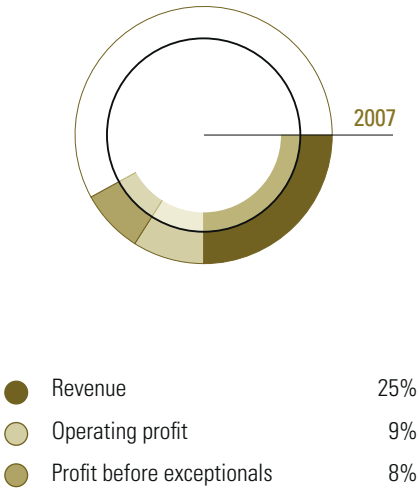
The introduction of the National Credit Act in June 2007, coupled with interest rates hikes during the year, had a negative impact on new vehicle sales. However, we are confident that this is a temporary setback in a long-term growth phase in the automotive industry.

The Nissan dealer group in Sweden is performing well and made a good contribution for the year.

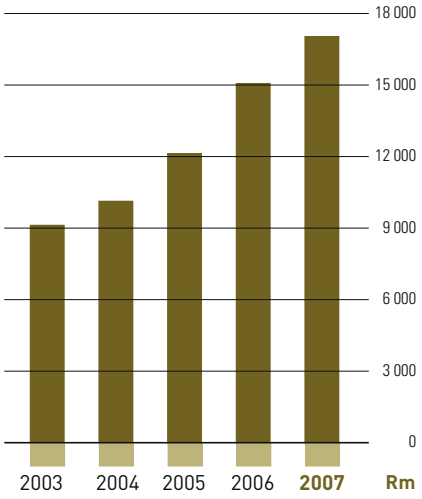
Divisional review

	2006 Rm	2005 Rm	% Change
Revenue	16 941	14 980	13
Operating profit	458	377	21
Net financing costs	115	63	83
Profit before exceptional items	343	314	9
Operating assets	4 184	3 269	28
Non-interest-bearing liabilities	1 931	1 538	26
Interest-bearing borrowings	779	393	98
Capital expenditure	458	406	13
Operating margin	2,7%	2,5%	
Employees	6 794	5 915	15

Divisional contribution



Revenue



Divisional review Insurance

This division houses Regent Life Assurance, Regent Insurance and Imperial Reinsurance.

Regent Life provides convenient protection policies covering a vehicle buyer against death and disability for the term of a finance agreement. Policies are sold through motor dealers and on behalf of finance institutions. Regent Life also provides group life cover and has a growing individual life business.

Regent Insurance offers a range of short-term products in the broader transport and mobility markets. In addition to accepting business through the dealer channel, Regent Insurance has a broker network through which it underwrites cover for various personal lines.

Imperial Reinsurance provides reinsurance cover to insurers, primarily for motor and allied risks.

Results

This division increased pre-tax profit by 20% as premium income rose by 21%. Including portfolio gains, investment income grew by 30%, an excellent result from the high base set last year. The underwriting margin in Regent Insurance remained high and underwriting profit grew by 16% despite strong upward pressure on accident repair costs.

In the short term, our insurance businesses will be negatively affected by the new National Credit Act, mainly because single premiums will be

"Statutory changes will impact on all participants in the vehicle insurance and credit life assurance markets, but the need for competitive products for customers' peace of mind will soon restore the balance, underpinning the long-term prospects of our insurance operations."

Nazeer Hoosen, managing director Regent Life

"The stellar underwriting results of Regent Insurance in a difficult underwriting cycle are due to excellent systems, conservative pricing and a diversified range of short-term insurance offerings."

Mike Dickinson, managing director Regent Insurance

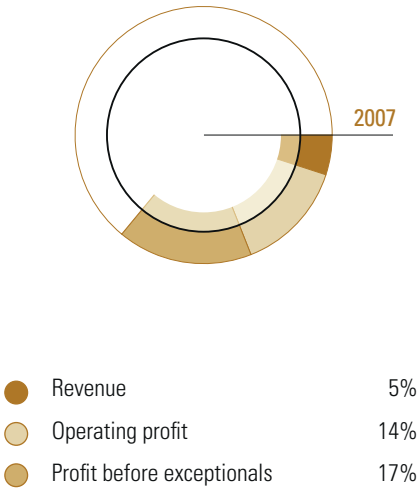
replaced by monthly premiums. Accordingly, premium income in 2008 will be much lower than last year, but will build up to normal levels despite a possible increase in policy lapses. Levying monthly premiums instead of single premiums will slow down the introduction of new investment funds and affect investment income. The impact on earned premiums, and thus operating profit, will be less.

The effect of these statutory changes will, of course, impact on all players in the market, but we believe customers' needs for competitive insurance products for their own peace of mind will soon restore the balance and the long-term growth prospects of our insurance operations will remain strong.

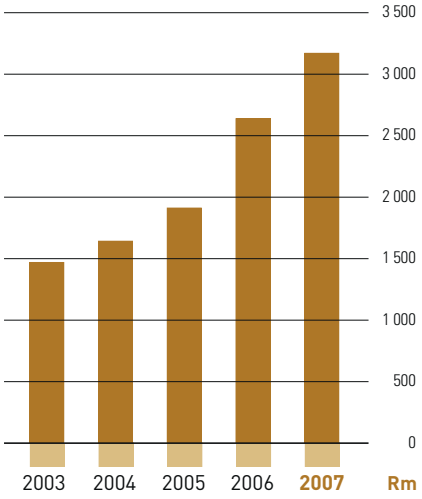
Divisional review

	2006 Rm	2005 Rm	% Change
Revenue	3 151	2 622	20
Fair value gains on investments	362	273	33
Operating profit	713	589	21
Profit before exceptional items	710	592	20
Operating assets	4 182	3 742	12
Non-interest-bearing liabilities	2 824	2 280	24
Capital expenditure	102	20	410
Operating margin	22,6%	22,5%	
Employees	861	670	29

Divisional contribution



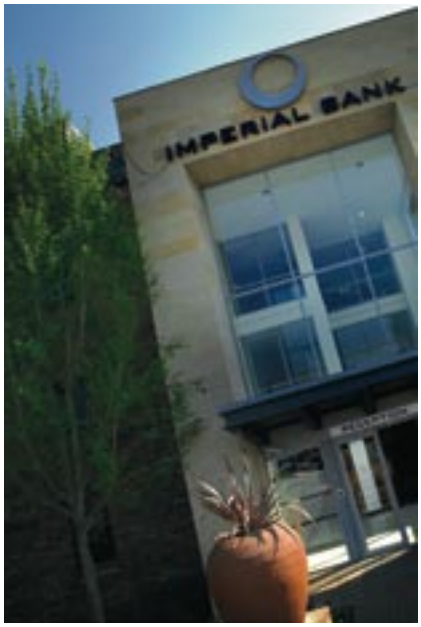
Revenue



Associates

"The growing contribution from our associates underscores the benefit of establishing our own licenced service providers to capitalise on economies and integrated processes."

Tak Hiemstra, strategy director



Our principal associates are Imperial Bank, Safair Lease Finance, ACL Aviation Limited (Air Contractors), Renault SA, Lereko Mobility and Ukhamba Holdings. The last two are reported under black economic empowerment below.

Imperial Bank had a satisfactory year, with our share of profit rising 13% to R203 million. Advances grew by 34% to R31 billion, predominantly in motor finance. Costs remain well managed, with an efficiency ratio of 32%. As anticipated, rising interest rates dampened demand, particularly for passenger vehicle finance, and led to an increased impairment charge.

To support the bank's continued strong growth, shareholders injected R300 million of equity capital in March 2007.

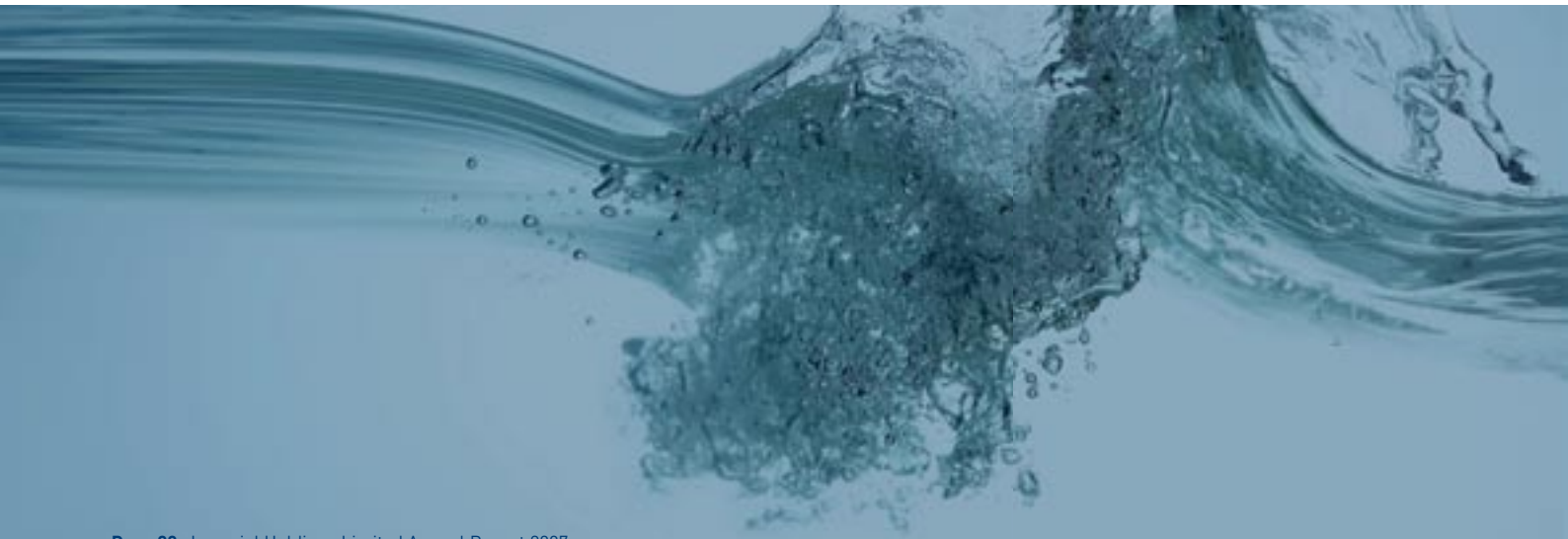
Black economic empowerment

The impact on the broad range of beneficiaries of our empowerment transactions is still very positive. Since inception an aggregate amount of R1,5 billion has been earned by previously disadvantaged individuals and communities from the Ukhamba and Lereko Mobility transactions, which jointly put 16,9% of Imperial's equity under black ownership.

Ukhamba – owned 47% by Imperial, 47% by previously disadvantaged staff and 6% by a community development trust – increased its contribution to the group for the year. Ukhamba's primary investments are a 10,1% stake in Imperial and a 34% stake in Distribution and Warehousing Network, a distributor and manufacturer of building materials, which grew headline earnings by 47% for the year. In addition, Ukhamba has made several smaller strategic investments in areas related to Imperial's business.

Accounting for our 49% interest in Lereko Mobility, which holds 6,6% of Imperial's equity, was changed with effect from November 2006, from consolidation to equity accounting.

This was made possible by the improvement in the assessment of the risk to the group of a R598 million tranche of vendor finance provided by Imperial to Lereko during June 2005.



Financial director's report

These satisfying results, achieved amid significant challenges to some of our businesses, bear testimony to the resilience of the group's business model.

Hafiz Mahomed Financial director

Review of income statement

Revenue grew by 22% to R66,2 billion, with the strongest contributions coming from the leasing and capital equipment, and distributorships divisions. New acquisitions contributed approximately 10% to revenue growth. Despite operating profit being 17% lower in our distributorship division, the group's total operating profit grew by 13% and pre-tax profit by 16%. A lower effective tax rate, the change from consolidation to equity accounting of our investment in Lereko Mobility and some exceptional items resulted in attributable profit increasing by 24%. Headline earnings per share were 17% higher.

Initially Lereko Mobility was fully consolidated despite our 49% interest. This had a negative impact on the group's results. It is now equity accounted and the impact on the group's results is summarised as follows:

Headline earnings per share (cents)	As disclosed	Proforma*	Difference
2006	1 222	1 363	11,5%
2007	1 434	1 492	4,0%
Total earnings over two years	2 656	2 855	7,5%

* Equity accounting the results of Lereko Mobility

If the current accounting treatment was applied for the full 2006 and 2007 financial years, headline earnings per share (HEPS) would have been 11,5% higher in 2006 and 4,0% higher in 2007, a total of 199 cents per share since inception of the transaction.

Challenges to the group included a weaker rand, which affected margins in our vehicle import businesses, a slowdown in vehicle sales due to interest rate hikes and the introduction of the National Credit Act, even though it was in effect only for the month of June. In addition, Commercial Vehicle Holdings, our heavy commercial vehicle distribution business, incurred a loss at the operating level that necessitated decisive management interventions.

As a group, we have a positive view of business opportunities in South Africa in the foreseeable future, and believe that Imperial has the knowledge and skills to extract maximum value from this sector.

Financial director's report

The net effect on the group's operating margin was a reduction to 7,6% from 8,2%.

The diversification of the leasing and capital equipment division into the earthmoving equipment market delivered excellent results, increasing revenue and operating profit by 73% and 60% respectively.

The relative contributions of the group's international operations increased strongly, with 25% of revenue (2006: 20%) and 13% of operating profit (2006: 8%) earned from sources outside South Africa. Operating margins across the group were largely maintained against last year, with the exception of distributorships, where the weaker rand and the operating loss in Commercial Vehicle Holdings reduced the margin from 9,4% to 6,0%. The second-half margin for distributorships improved to 6,2% from 5,8% in the first half, largely driven by the passenger vehicle import business.

Finance costs, including net fair value adjustments, were 31% higher.

Income from associates increased by 16%. This included growth of 13% to R203 million from our 49,9% interest in Imperial Bank. Associate income in the distributorships division, from our investment in Renault SA, disappointed.

The effective tax rate was 29,1%, down from 35,9%, as a result of the absence of several unusual charges and non-deductible expenses in the previous year.

The distribution to shareholders will be 18% higher at 560 cents for the full year, consisting of interim and final distributions of 280 cents per share each. The interim distribution was made up of a capital distribution from share premium of 160 cents per share and a dividend of 120 cents per share. The final distribution will be from share premium amounting to 280 cents per share.

Review of the balance sheet

Total assets grew by 21,2%, of which investments in associates contributed 3,0%; property, plant and equipment 3,2%; fleets 2,3%; inventory and trade receivables 6,8%; and the others 5,9%.

As a result of the Lereko deconsolidation, equity increased by R1,6 billion.

Net debt increased by 17% to R11,5 billion in absolute terms. This amount was increased by R300 million due to the depreciation of the rand on part of the euro bond and although this is hedged the value of this cannot be offset and a separate asset is raised. The bulk of the increase in debt was used to fund expansion in productive capacity such as property, plant and equipment and revenue-earning fleets.

During the year, the group created a new class of non-redeemable, non-participating preference share. Two issues totalling R441 million were made and, due to its cumulative nature, are classified as debt. The rating agencies view this instrument differently, and give it a 75% capital ranking. On this basis, the net debt/equity ratio was revised to 81% (see Annexure D).

Net working capital increased by R401 million in absolute terms but, as a percentage of revenue, reduced to 7,0% from 7,8%.

Review of cash flow

Net cash flow from operating activities decreased by 9% to R3,9 billion, impacted by working capital, which was R520 million higher than last year, and cash tax payments, which were R509 million higher than last year. The cash conversion ratio (net cash flows from operating activities less the replacement capital expenditure as a percentage of headline earnings) was respectable at 101% although down on last year's 138%.

Replacement capital expenditure was 9% higher and expansion expenditure was 2% lower. Investing activities amounted to R4,7 billion, of which R2,6 billion (55%) related to expansion capital expenditure. These amounts are in line with the previous year.

We purchased R298 million of our ordinary shares, funded by issuing a corresponding amount in preference shares.

Lereko deconsolidation

In assessing our annual results, readers should note the change in accounting for the Lereko transaction.

For this second major black economic empowerment transaction, which was finalised in June 2005, the group provided vendor finance of R598 million to Lereko Mobility (Pty) Ltd (Lereko) to facilitate raising R800 million in additional finance for its acquisition of 7,25% of Imperial's share capital.

The redemption of the total finance provided for the transaction, some R1,4 billion, will be settled through the disposal by Lereko of part of its Imperial shares. The right to redemption of the vendor finance ranks behind all the other elements of finance for the transaction. Accordingly, due to the group's risk relating to the vendor finance, the board considered it appropriate at the time to consolidate the assets, liabilities and results of Lereko as if it were a subsidiary of the group, despite Imperial's minority interest of 49% in Lereko.

By October 2006, the Imperial share price had risen to a level where the risk was reduced sufficiently for the board to conclude that consolidation was no longer required. Accordingly, it was deconsolidated and treated as an associate from November 2006.

This means that the call option receivable for the delivery of Imperial shares from Lereko in respect of the vendor finance is now included in investments in associates and fair valued through the income statement. The attributable profits or losses of Lereko are equity accounted before the revaluation of the Imperial shares and any attributable losses of Lereko are equity accounted only to the extent of the cost of the investment in Lereko. The fixed earnings of the preferred ordinary shares are deducted in arriving at the earnings attributed to the ordinary shares.

Financial director's report

Treasury management

Treasury is responsible for the implementation of the risk management directives of the group's asset and liability committee (ALCO) as well as being the interface with debt capital market investors, banking and other funding partners.

Interest rate risk remained modest over the reporting period and operational foreign exchange risk is hedged by the various businesses within the group's hedging policies and guidelines. The group's policy is that all foreign exchange exposures on currency payables or receivables, excluding exposures on spare parts, be covered forward from the date that the operating entity incurs and commits to an exposure. In certain incidences where specific authority has been obtained from South African Exchange Control, forward cover can be concluded for up to 75% of annual forecast imports.

Capacity has been created to issue non-redeemable, non-participating preference shares to complement the group's capital structure, and an initial offering of R298 million was placed in November 2006 and the balance in June 2007. For credit-rating assessment purposes, these perpetual preference shares carry 75% equity and 25% debt weightings.

Two corporate bonds totalling R2,0 billion, being R1,5 billion for seven years issued by Imperial Group (Pty) Ltd in March 2007 and R500 million for five years issued by Imperial Capital Ltd in May 2007, were successfully placed during the second half of the financial year. This extended the term profile of our funding and further enhanced the group's strong liquidity position.

In June 2007, we took advantage of attractive market conditions to arrange a €250 million five-year revolving syndicated loan facility through our offshore finance company, Imperial Mobility Finance BV. This facility is intended primarily for liquidity management purposes over and above the various other liquidity credit lines available to the group in South Africa.

Imperial Capital

Imperial Capital is a ringfenced entity that owns fleet assets employed in the Car Rental, Logistics and Leasing divisions.

Assets grew by R1,4 billion over the period to R3,5 billion. This was funded by the issuance of short-term commercial paper and the placement of the R500 million five-year corporate bond under its BESA registered R6,0 billion domestic medium-term note programme. Gearing is continually maintained within the credit-rating guidelines of a debt/equity ratio of 233% and was 202% at the financial year end. The balance sheet of Imperial Capital is contained in Annexure D on page 130.

Imperial Capital continues to make a valuable contribution to the group in terms of debt capital market access and cost efficiencies.

Investment in skills development

In view of the shortage of skills, the board allocated R100 million to establish a skills development and training fund. A detailed needs analysis has been performed throughout the group and a training institution will be launched early in the new financial year. The facility will be aimed at improving managerial and other skills levels throughout the organisation and accelerating the transformation process.

Ratios and measurements

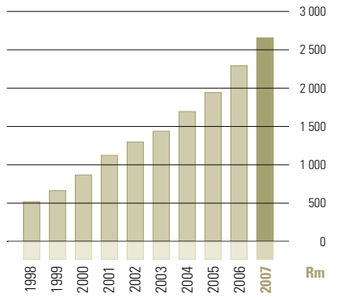
	2007 %	2006 %
EBITDA to revenue	10,5	11,3
Net interest covered by EBITDA (times)	6,8	7,8
Interest cover by operating profit (times)	4,9	5,5
Depreciation to revenue	3,2	3,3
Operating margins	7,6	8,2
Profit before exceptional items to revenue	6,5	7,0
Tax rate	29,1	35,9
Return on average equity	23,6	25,6
Net debt to equity	85,4	91,4
Net debt to EBITDA (times)	1,6	1,6
Equity to total assets	29,6	28,7
Operating profit to operating assets	12,1	12,7
Distribution during the year (cents)	560	474
Headline earnings per share (cents)	1 434,1	1 222,1
Basic earnings per share (cents)	1 470,5	1 198,1

Hafiz Mahomed

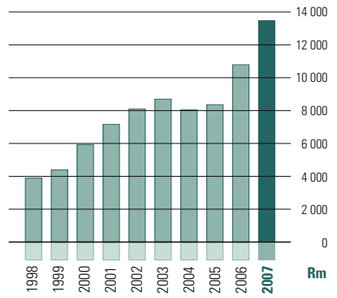
Financial director

Ten-year review

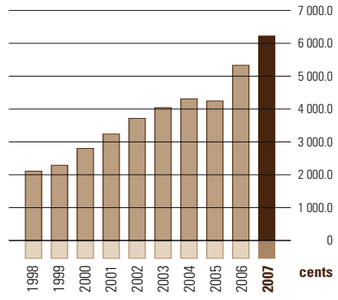
Headline earnings



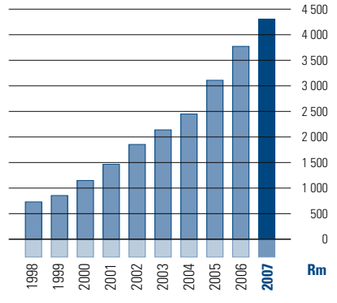
Total shareholders' equity



Net asset value per share



Profit before tax and exceptionals

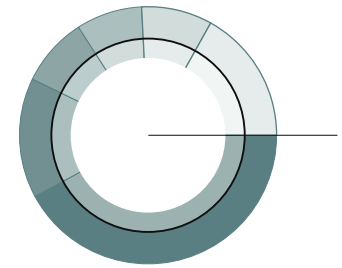


	10-year compound growth	2007 Rm	2006 Rm	2005 Rm	2004 Rm	2003 Rm	2002 Rm	2001 Rm	2000 Rm	1999 Rm	1998 Rm
INCOME STATEMENT – HEADLINE EARNINGS											
Revenue	22	66 214	54 105	42 605	34 747	32 277	28 122	21 874	14 944	9 913	8 739
Profit from operations before the following:		6 925	5 904	4 898	3 954	3 741	3 364	2 672	1 914	1 577	1 146
Depreciation, amortisation and recoupments		(1 921)	(1 632)	(1 390)	(1 256)	(1 216)	(1 078)	(824)	(612)	(539)	(345)
Net financing costs		(1 026)	(782)	(586)	(478)	(555)	(500)	(428)	(177)	(192)	(105)
Income from associates and joint ventures		327	282	186	228	167	65	42	21	5	30
Profit before taxation	19	4 305	3 772	3 108	2 448	2 137	1 851	1 462	1 146	851	726
Income tax expense		1 161	1 234	989	692	606	484	291	238	187	197
Profit after taxation	20	3 144	2 538	2 119	1 756	1 531	1 367	1 171	908	664	529
Impairment of property, plant and equipment, net of taxation		(3)	8								
Profit on disposal of property, plant and equipment, net of taxation		(56)	(10)	(5)	(9)	(9)	(4)	(5)	(3)	(2)	(2)
Taxation on exceptional items		(2)	(1)	22							
Goodwill amortisation, net of taxation					59	58	50	16			
Minority interest, excluding share of exceptional items		(374)	(244)	(195)	(112)	(142)	(119)	(60)	(39)	(1)	(10)
Earnings attributable to preferred ordinary shareholders		(52)									
Headline earnings attributable to ordinary shareholders	18	2 657	2 291	1 941	1 694	1 438	1 294	1 122	866	661	517
BALANCE SHEET											
Intangible assets		1 238	945	622	488	504	606	280	23		
Investments and loans	9	5 525	3 810	2 699	2 660	1 989	1 903	1 944	849	594	1 087
Property, plant and equipment		5 441	4 231	2 781	2 311	2 180	2 109	1 544	1 173	797	666
Transport fleet		2 789	2 570	2 449	4 785	1 881	1 556	1 205	858	610	435
Leasing assets		6 990	6 443	5 074	2 150	4 713	4 532	3 388	2 327	1 595	1 095
Vehicles for hire		1 012	896	790	734	735	580	538	446	361	289
Deferred taxation		450	426	339	275	247	348	133	87		
Banking and other advances									3 087	2 100	1 421
Other non current financial assets		842	718	412							
Inventories		9 436	7 535	5 586	3 729	3 551	2 772	2 538	1 554	1 200	1 050
Trade and other receivables		8 883	8 248	5 752	4 769	4 480	4 142	3 249	2 824	1 443	978
Taxation in advance		140	108	128	98	61	90	49	49		
Cash and cash equivalents		2 788	1 630	1 043	1 261	1 298	1 472	1 508	1 099	1 330	531
Total assets	20	45 534	37 560	27 675	23 260	21 639	20 110	16 376	14 376	10 030	7 552
Equity settled interest-bearing debt			794								
Insurance contracts		1 722	1 331	978	833	566	428	247	209	240	268
Deferred tax liabilities		1 196	941	695	630	531	489	232	166	79	53
Banking liabilities									1 605	1 503	735
Interest-bearing borrowings (including preference shares)		14 286	10 699	7 562	6 576	6 135	5 901	4 110	3 068	1 889	978
Other liabilities		14 863	13 008	10 084	6 161	5 715	5 201	4 629	3 403	1 941	1 627
Total liabilities		32 067	26 773	19 319	14 200	12 947	12 019	9 218	8 451	5 652	3 661
Net assets		13 467	10 787	8 356	9 060	8 692	8 091	7 158	5 925	4 378	3 891
FUNDED BY											
Imperial Holdings shareholders		12 521	10 002	7 890	8 618	8 199	7 658	6 975	5 854	4 361	3 888
Minority shareholders		946	785	466	442	493	433	183	71	17	3
Total shareholders' equity	13	13 467	10 787	8 356	9 060	8 692	8 091	7 158	5 925	4 378	3 891
SHARE PERFORMANCE (cents per share)											
Headline earnings per share*	18	1 434,1	1 222,1	968,8	835,9	700,2	608,8	527,6	435,4	352,2	283,8
Dividends per share#	18	560,0	474,0	395,0	315,0	265,0	230,0	190,0	167,6	125,0	108,0
Net asset value per share	11	6 223,2	5 330,3	4 244,2	4 306,8	4 040,9	3 712,1	3 235,2	2 796,9	2 285,6	2 104,7
Market prices											
– Closing	9	14 150	12 850	10 180	6 712	5 399	5 430	6 750	5 530	5 900	6 100
– High		17 693	17 600	10 850	7 150	5 750	7 000	6 850	7 800	6 190	7 000
– Low		12 250	10 000	6 650	5 250	4 300	4 375	4 950	4 500	3 105	5 000
Market capitalisation at closing prices (Rm)	10	29 661	26 715	20 909	14 676	11 703	11 739	14 553	11 576	11 256	11 270
Value of shares traded (Rm)		26 823	23 158	10 596	5 738	5 249	5 896	5 036	5 376	3 621	2 492
Value traded as a percentage of average capitalisation (%)		95,2	97,3	59,6	43,5	44,8	44,8	38,5	47,1	32,2	22,5
NUMBER OF EMPLOYEES		43 792	39 412	32 696	29 528	26 897	27 162	25 036	23 935	18 696	17 204
KEY RATIOS											
Operating margin		7,6%	8,2%	8,0%	8,3%	8,1%	8,1%	8,4%	8,7%	10,5%	9,2%
Return on average ordinary shareholders' interest (headline)		23,6%	25,6%	23,0%	20,3%	18,1%	17,7%	17,5%	17,0%	16,0%	14,3%
Total shareholders' equity to total assets		29,6%	28,7%	30,2%	39,0%	40,2%	40,2%	43,7%	41,2%	43,6%	51,5%
Interest-bearing debt as a % of total shareholders' equity~		85,4%	91,4%	78,0%	58,7%	55,6%	54,7%	36,4%	33,2%	12,8%	11,5%

– The 2006 and 2005 numbers are stated in term of IFRS. The previous years are reported as previously under SA GAAP.
* Calculated on weighted average number of shares
# Dividend includes capital distributions and notional dividends on which capitalisation share awards were calculated
~ Excluding Imperial Bank's assets and liabilities

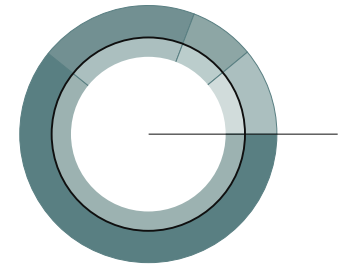
Shareholders' information

Shareholder type (%)



- Financial institutions, pension and provident funds 42,1%
- Unit trusts 15,1%
- Individuals 8,7%
- Directors and employees 8,3%
- Corporate holdings 8,9%
- Empowerment shareholding 16,9%

Distribution of shareholders (%)



- Public shareholders 60,8%
- Shareholders holding more than 10% 20,0%
- Directors, their associates and employees 8,3%
- Treasury stock 11,0%

Distribution of shareholders (listed ordinary shares)	Number of shareholders	Number of shares (000)	% of shares listed
Public shareholders	7 045	127 519	60,8
Non-public shareholders			
Shareholders holding more than 10%	1	42 015	20,0
Directors, their associates and employees	125	17 201	8,2
Treasury stock	1	22 883	11,0
	7 172	209 618	100,0

Spread of holdings (listed ordinary shares)	Number of of shareholders	%	Number of of shares (000)	%
1 – 2 500	6 016	83,8	2 517	1,2
2 501 – 5 000	314	4,4	1 111	0,5
5 001 – 10 000	207	2,9	1 546	0,8
Over 10 000	635	8,9	204 444	97,5
	7 172	100,0	209 618	100,0

Shareholder type	Number of shares (000)	% of voting shares
Financial institutions, pension and provident funds	93 027	42,1
Unit trusts	33 538	15,1
Individuals	18 865	8,7
Directors and employees	18 247	8,3
Corporate holdings	23 058	10,5
Listed ordinary shares net of treasury stock	186 735	84,7
Deferred ordinary shares	19 294	8,7
Preferred ordinary shares	14 517	6,6
Total shares in issue net of treasury stock	220 546	100,0
Treasury stock	22 883	
Total shares in issue	243 429	

Shareholdings of more than 5%	Share class	Number of shares (000)	% of issued capital
Public Investment Corporation Ltd	Ordinary	42 015	19,1
Ukhamba Holdings (Pty) Ltd	Ordinary	3 462	1,6
Ukhamba Holdings (Pty) Ltd	Deferred		
	Ordinary	19 294	8,7
Lereko Mobility (Pty) Ltd	Preferred		
	Ordinary	14 517	6,6

Directors' interests of more than 1%		Number of shares (000)	% of issued capital
WG Lynch	Ordinary	9 540	4,3

Stock exchange performance	2007	2006
Number of shares in issue (million)	210	208
Number of shares traded (million)	182	166
Value of shares traded (R million)	26 823	23 158
Market price (cents per share)		
– Closing price 25 June	14 150	12 850
– High	17 900	17 600
– Low	12 001	10 000
Earnings yield %	10,1	9,5
Price: earnings ratio (based on headline earnings)	9,9	10,5

Declaration of distributions

Preference shareholders and ordinary shareholders

Notice is hereby given that:

- a preference dividend of R4,6932 per preference share has been declared payable to holders of non-redeemable, non-participating preference shares; and
- a capital distribution from share premium in an amount of 280 cents per ordinary share has been declared payable to ordinary shareholders.*

**payable in terms of the general authority granted at the annual general meeting of shareholders held on 1 November 2006.*

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

	2007
Last day for preference shares and ordinary shares respectively to trade cum-preference dividend and cum-capital distribution	Thursday, 20 September
Preference and ordinary shares commence trading ex preference dividend and ex capital distribution respectively	Friday, 21 September
Record date	Friday, 28 September
Payment date	Monday, 1 October

Share certificates may not be dematerialised/rematerialised between Friday, 21 September 2007 and Friday, 28 September 2007, both days inclusive.

On Monday, 1 October 2007, amounts due in respect of the preference dividend and the capital distribution will be electronically transferred to the bank accounts of certificated shareholders utilise this facility. In respect of those who do not, cheques dated 1 October 2007 will be posted on or about that date. Shareholders who have dematerialised their shares will have their accounts, held at their CSDP or broker, credited on Monday, 1 October 2007.

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

Preferred ordinary shareholders (unlisted)

Notice is hereby further given that a capital distribution of 267,5 cents per preferred ordinary share has been declared and is payable to preferred ordinary shareholders recorded in the registers of the company at the close of business on Thursday, 27 September 2007.

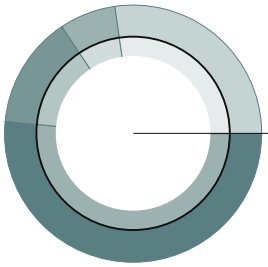
On Friday, 28 September 2007 the capital distribution will be electronically transferred to the bank accounts of preferred ordinary shareholders.

On behalf of the board

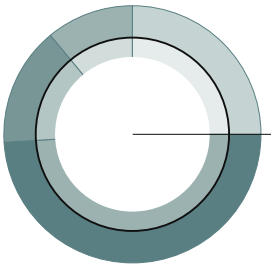
RA Venter
Group company secretary

28 August 2007

Value-added statement for the year ended 25 June 2007



- Employees 52%
- Providers of capital 14%
- Government 7%
- Reinvested in the group 27%



- Employees 49%
- Providers of capital 15%
- Government 11%
- Reinvested in the group 25%

	2007 Rm	%	2006 Rm	%
Revenue	66 214		54 105	
Paid to suppliers for materials and services	51 904		42 441	
Total wealth created	14 310		11 664	
Wealth distribution				
Salaries, wages and other benefits (note 1)	7 365	52	5 760	49
Providers of capital	2 050	14	1 766	15
– Net financing costs	1 026	7	782	7
– Capitalisation share awards, dividends and and capital distributions	1 024	7	984	8
Government (note 2)	1 047	7	1 249	11
Reinvested in the group to maintain and develop operations	3 848	27	2 889	25
– Depreciation, amortisation and recoupments	1 921	13	1 632	14
– Future expansion	1 927	13	1 257	11
	14 310	100	11 664	100
Value-added ratios				
– Number of employees	43 792		39 412	
– Revenue per employee (000)	1 512		1 373	
– Wealth created per employee (000)	327		296	

Notes

1 Salaries, wages and other benefits				
– Salaries, wages, overtime, commissions, bonuses, allowances	6 171		4 850	
– Employer contributions	1 194		910	
	7 365		5 760	
2 Central and local governments				
– SA normal taxation	784		981	
– Secondary tax on companies	33		34	
– Foreign taxation	93		65	
– Regional Services Council levies	1		59	
– Rates and taxes	59		55	
– Skills development levy	35		23	
– Unemployment Insurance Fund	42		32	
	1 047		1 249	

Sustainability report

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43 Profile
43 Governance structure and management systems
44 Economic indicators
45 Environmental indicators
48 Social indicators
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Sustainability report

Chief executive officer's message

Our business has been through an eventful year. Changes in local and world markets, increased global focus on environmental concerns such as climate change and pressing social issues also emphasised the effect our business has on the environment and the people in and around our operations.

Responsible businesses such as Imperial face ongoing challenges in meeting the needs of their customers, employees and investors, accessing resources, developing new businesses and expanding in growth sectors outside their traditional areas of business. For this reason, we recognise that short-term business success and sustainable growth over time go hand in hand with the long-term sustainability of our economic, environmental and social efforts. We view the non-financial aspects of sustainable business performance and financial performance as inextricable components that create a greater whole and therefore we strive to harmonise our economic, environmental and social objectives.

Our strategy recognises that our business depends heavily on fossil-fuel-driven transport, with a significant environmental impact. The sustainability of our business therefore depends not only on the availability of fossil fuels but also fundamentally on the ability to reduce the long-term impact of their use.

During the past year, we again enhanced our systems to monitor, improve and report on safety and environmental impact performance in the group. Each of our business units has its own initiatives in the sustainability arena, designed to address important areas in that business and the community in which it operates.

In South Africa, transformation and empowerment are of particular importance and are viewed as key elements in ensuring the ongoing sustainability of the group.

Our achievements during the review period include:

- The third tranche of 2 511 891 deferred ordinary shares owned by Ukhamba were converted to ordinary shares in July 2007, bringing the total of ordinary shares owned by Ukhamba to 5 973 421 with a value of R836 million (R140 share price). This represents unencumbered wealth of R443 million created for the benefit of 15 000 of Imperial's historically disadvantaged employees and deprived communities. In addition, cash dividends are paid to those employees and the Imperial and Ukhamba Community Development Trust.
- Further improvement of trend analysis and monitoring mechanisms to reduce the number of road accidents and fatalities involving the group's extensive transport fleets.

This report was compiled using 2002 global reporting initiative (GRI) guidelines. While it is not in full accordance with GRI guidelines, we believe it represents a balanced and reasonable view of our organisation's economic, environmental and social performance.

Hubert Brody
Chief executive officer

28 August 2007

Contact details and further information

For further information, please refer to the Imperial website: http://www.imperial.co.za

Profile

Organisational profile
Imperial is listed on the JSE and is part of the ALSI 40 index. The operational structure, description of major divisions and markets served, and geographical areas of operation appear on the inside front cover of this report.

Information on the scale of the Imperial group appears in the 10-year review on page 36, the value-added statement on page 40 and the employment section on page 131.

Scope
This report was compiled for the financial year ended 25 June 2007 and is the fourth report of this nature to be released by the group.

Imperial's businesses in Africa and Europe have been included in this report. Impacts related to entities not controlled by the group have been excluded on the understanding that they will be reported separately by the managing entities. Leased facilities are treated for reporting purposes as if the group owned them. Assets owned but not operated by the group have been excluded insofar as the impact of those assets could not be ascribed to group operations.

Report profile
The directors are responsible for the content of this report and although all reasonable steps have been taken to ensure its accuracy, they can provide only reasonable assurance that reporting systems are accurate. During the year, the group further enhanced systems to monitor the accuracy, completeness and reliability of financial, operational, safety, health and environmental management information. This report, with the exception of certain economic impacts, has not been externally verified.

The group has seven operating divisions. These are independently managed and operate within governance guidelines laid down by the board and the executive committee. The group does not have extensive policies regulating all divisions as they operate in different areas of transport and mobility and comply with governance standards appropriate to their industries.

Due to the decentralised management structure of the group and the diverse nature of its operating businesses, information is recorded and reported in different formats. The group has used its best endeavours to ensure this sustainability report meets material reporting needs of stakeholders.

Governance structure and management systems

Structure
We conduct our business on the principles of integrity, reliability and trust. Our formal practices encompass systems, structures and a culture of governance to ensure the group acts responsibly to all its stakeholders – economically, environmentally and socially.

The composition of the board and its committees and information on the governance and management structures of the group appears in the corporate governance report on pages 61 to 66 of this report. Information on remuneration policies and practices is in the remuneration report on pages 72 to 75.

Stakeholder engagement
We value our people and recognise that successful businesses are built on loyal, motivated and happy employees. Equally important are the requirements of investors, customers, suppliers and other stakeholders.

Our interaction with stakeholders reflects our unique culture and business model. We seek to maximise shareholder value over time through an intelligent regard for the interests of all other stakeholders, from the communities associated with our operations to our business partners. Our divisions are well equipped and placed to communicate with stakeholders, as reflected by examples of engagement activities throughout this report.

During recent years, we have enhanced our level of interaction with stakeholders, recognising that the survival of our business depends on our stakeholders, just as they rely on our business.

Sustainability report

The group provides information to the public and its shareholders based on the guidelines of promptness, relevance, openness and substance over form. We strive for balance by reporting both the positive and negative aspects of group performance. Regular presentations and meetings are held with investors and analysts to communicate the strategy and performance of the group. Shareholders also have the opportunity to put questions to the board at annual general meetings.

Stakeholders in the group include investors, potential investors, employees, trade unions, customers, contractors, suppliers and government departments. A list of primary investors in the group appears on page 39. Our customers comprise various elements of society and include central, provincial and local government; large, medium and small business, various industries and individuals.

Policies and management systems

Imperial's sustainable development policy recognises that the group consists of a number of diverse transport and mobility businesses, each with its own challenges, stakeholders and operating environments. In addition to functions controlled or initiated at group level, each business has its own sustainability initiatives, designed to address areas of importance in that business and the community in which it operates. This stems from the group's philosophy to empower local and divisional management who are best placed to identify and engage stakeholders on virtually all levels and to ultimately make decisions within agreed guidelines, based on this understanding.

Our code of ethics

Our core value is to act with uncompromising honesty and integrity. Our code of ethics provides guidance to all staff, management and directors of Imperial and its subsidiaries on adhering to this core value, although we recognise that no single code can address every situation individuals are likely to encounter. As such, this code is not a substitute for employees' responsibility and accountability to exercise good judgement and obtain guidance on appropriate business conduct.

At all times the group and, where appropriate, our employees will:

1 Respect others and avoid any form of discrimination.
2 Abide by the laws of the country in which we operate and comply with the code of conduct of all professional and industry bodies to which we belong.
3 Avoid any waste, damage and private use of company assets and resources (including time).
4 Not give or receive any bribes.
5 At the earliest opportunity, disclose in writing to the appropriate management all gifts beyond a token value received from clients or suppliers.
6 Not divulge any confidential information to any party, or improperly use company and client information.
7 Market our products and services accurately and charge the agreed fee, or a fair fee where no fee was agreed.
8 Not seek to advance our personal interests at the expense of the company or our clients.
9 Not engage in any activity, directly or indirectly, which results or might result in a conflict of individual interests with the interests of the group.
10 Not participate in, or involve the company in any way with any scheme that would cause embarrassment to the company or harm its reputation. If we believe public disclosure of any action would be detrimental to the company, then this action should be avoided.

Economic indicators

Our business model has enabled us to generate consistently superior returns over time, reflected in Imperial's unbroken annual growth record in revenue and profit since listing in 1987.

Economic impacts of the group include direct and indirect impacts in relation to employees, government, suppliers, customers and providers of capital. The direct impact of our business on stakeholders is however probably less significant than the indirect impact of our role as a synchroniser of commerce.

During the year, we did not benefit from or rely on any material grants, tax relief or other types of financial benefits that did not represent or were underpinned by a transaction of goods and services, other than the reimbursement of skills development levies and similar reimbursements. Creditors are settled in accordance with agreed terms.

The group is a significant contributor to commerce in general and recognises that sustainable development is built on sound economic performance. Mobility, the group's core business, is the

backbone of economic growth, locally and internationally, without which development would be dramatically curtailed. We aim to run a continuously viable business that will enable us positively to impact our stakeholders.

The table sets out some information on the scale of Imperial's operations

Units	2007	2006	% change
Vehicles sold	206 077	195 713	5%
– Retail	185 826	175 573	6%
– Wholesale	20 251	20 140	1%
Owned fleets	55 832	54 101	3%
– Passenger and light commercials	37 828	37 201	2%
– Forklifts	11 004	10 651	3%
– Trucks	5 603	5 210	8%
– Earthmoving equipment	1 397	1 039	34%
People employed	43 792	39 412	11%
Invested in future expansion (rand million)	3 724	3 417	9%

The economic impacts of the group are detailed in this annual report and have been cross referenced in the GRI content index on page 60.

Environmental indicators

Environmental policy and management systems

The operations of the group affect the environment in different ways, both directly through its transport operations and indirectly through the products it distributes and sells.

We conduct our business in an environmentally responsible manner, ranging from the way we construct our facilities to the maintenance and operation of our transport and aircraft fleets, and are committed to a safe and healthy environment.

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

Materials

As the group does not operate any significant manufacturing concerns, it does not affect the environment directly through plants or facilities that consume significant amounts of raw materials. It is, however, a distributor of a wide range of automotive products and therefore has a significant indirect impact (see table on page 47). The group does not use wastes (processed or unprocessed) from external sources.

Energy

The group consumes energy in various forms, directly and indirectly. The largest single source of direct energy consumption in the group is fossil fuel consumed for road, water and air transport. Fuel consumption in our fleets is carefully measured, enabling us to establish trends and benchmarks against which improvement targets can be set. Every effort is made to reduce consumption of fuel through the introduction of new technology, regular maintenance and upgrading equipment. The largest indirect source of energy is electricity purchased from external suppliers. The group is always conscious of energy use and will explore every possibility of saving energy and reducing CO^2 emissions related to its transport operations and from the purchase of electricity.

Imperial makes no significant use of renewable energy at present.

Water

The group consumes water from external sources for ancillary operations including offices, washing facilities and limited other uses.

There are no water sources or related ecosystems/habitats significantly affected by the group's use of water. The group is however an indirect user of water resources through its inland waterway shipping operations in Europe, where it applies best practice to ensure its impact on water resources is limited.

Biodiversity

With the exception of logistics operations on road and on inland waterways in Europe that cross biodiversity-rich habitats, none of our primary operations or facilities that could have an adverse impact is situated in such habitats. Impacts associated with the use of internal combustion engines in ships and automobiles, as well as the use of aircraft, are not measured. The group is aware of the potential impact of spillages of products carried for reward and takes appropriate measures to minimise related risks. These include compliance with local environmental and related legislation as well as internal systems of control appropriate to the materials transported.

Greenhouse gases

Transport operations generate harmful gases and particulates through the emissions of internal combustion engines and turbines used in automobiles, ships and aircraft. Accurate measurement of individual and total emissions generated by all operations is difficult due to the diverse nature of the transport fleets owned and managed by the group. Imperial does, however, renew its transport fleets regularly where viable, achieving lower emission levels associated with newer technology. Our aircraft fleet also complies with the latest emissions regulations applicable at major airports around the world, on both emissions to air and noise levels.

Imperial contributes to indirect emissions through electricity purchased, the largest indirect source of CO^2 emissions by the group. Accurate measurement of NOx emissions from transport operations is difficult and has not been quantified. While some concerns remain about diesel emissions, diesel engine technology and the quality of diesel itself have improved significantly over the last 20 years.

Effluents and waste

The primary waste products generated by the group are tyres, batteries and used oil.

Tyres are retreaded when it is safe to do so or, where this is no longer feasible, are disposed of through recycling channels operated by tyre manufacturers or by third-party recycling organisations that dispose of the tyres responsibly. Uses for waste tyres include agricultural and marine applications as well as the production of compounds used in asphalt.

Batteries are disposed of according to local regulations on the disposal of lead and similar products.

Used oil is sent to recycling agencies such as Oilkol that collect used oil and recycle it for further use. Used oil and related products are not dumped or released into municipal sewerage systems.

The only significant source of effluent in the group is washbay runoff caused by washing operational transport fleets. Hazardous effluent may result from substances carried on behalf of customers, particularly in the tanker services business of the logistics division. Stringent policies are in place and appropriate steps taken to ensure this effluent is disposed of responsibly. The group does not generate any other industrial waste. Quantities of waste generated through normal office operations are not measured.

Given our belief that recycling should be an integral part of the lifecycle of all materials, other waste management initiatives in the group include:

- Print cartridges are recycled, in some instances collected by individuals who make a living from this form of recycling.
- Used lubrication oil, fluorescent tubes, vehicles, batteries, tyres and other waste generated by group operations are recycled or responsibly disposed of.

Products and services

Businesses in the group sell a variety of mobility-related products including motor vehicles, trucks and aircraft as well as related spares and accessories. Although car and truck manufacturers continually strive to increase the percentage of products that can be recycled, certain parts are not recyclable and contribute directly or indirectly to pollution. These include products for which the group is a primary distributor, such as sparkplugs and high-tension leads that are not biodegradable as they contain ceramics and silicone rubber.

Services rendered by the group contribute to pollution in various ways. In addition, operations such as the aviation division contribute to high-level atmospheric and noise pollution. Pollution caused by the use of group assets by third parties is not measured and has not been included in the environmental data schedule below. This includes leased transport and aviation assets and the car rental and leasing fleets.

Suppliers

Environmental management requirements are addressed in conjunction with suppliers and customers whose products fall into high environmental risk categories.

Environmental incidents

Significant spills of chemicals, oils or fuels that occurred during the year are detailed below:

Business	Material spilt	Quantity (000 litres)
Tanker Services	Fuel	39
Cargo Africa	Oil	34
Tanker Services	Potable alcohol	40

There has been an encouraging improvement in the quantity of material spilt during the year. In line with stringent and detailed procedures, all spills were immediately cleaned and corrective action taken to minimise the environmental impact. Where the group did not have the required equipment available to fully rehabilitate the spill area, external services were used. Steps are also taken to prevent repeat incidents where possible through refresher training and sharing lessons learnt.

In total, 284 incidents with an environmental impact occurred during the year, which all emanated from the logistics division. This division transports cargo on behalf of customers and although all reasonable steps are taken to ensure that cargo, hazardous or otherwise, is not spilt, accidents are an inherent and particular feature of road travel. Effective systems are in place to limit and, if possible, eliminate harmful effects resulting from spillages.

Case study

Stringent policies and procedures are in place in the relevant Imperial divisions to mitigate potential environmental impact when transporting goods for customers.

Before agreeing to transport a particular product, Imperial staff meet with the customer to obtain product characteristics and safety sheets. This supports an informed evaluation of the environmental and safety risks associated with the product. A physical route risk assessment is then done and the optimal route determined according to the product risk category and high-risk or high-impact features along the route. The planned route and load assessment is then agreed with the customer. Drivers receive training for a specific route and product category and are made aware of hazards and the correct treatment for spills.

In addition, local councils along the route are advised in advance if hazardous substances will be transported through their area, including type of product, volume and frequency.

Incidents and fines

Imperial is not aware of any pending environmental litigation and no fines or penalties were imposed during the 2007 financial year for non-compliance with environmental regulations and permits. Any infringements of regulations, permit or licence conditions are reported to the relevant regulators and corrective action taken as soon as practical in all circumstances.

Environmental data

Fuel and oil 000 litres	2007	2006
Fuel consumed	349 729	301 025
Lubricating and hydraulic oil used	4 135	2 474
Waste		
Solid (000 tons)	7,1	4,2
Liquid (000 litres)	2 756	*

*Not available at the time

Social indicators

Our 20-year growth record could not have been accomplished without respect for individuals and high standards of ethical behaviour. These fundamental responsibilities to all stakeholders – be they shareholders, employees, customers or competitors – are ever present. We realise that no business can exist for its own sake or for the benefit of a single stakeholder and we strive for balance between returns to shareholders and our social responsibilities as a responsible corporate citizen.

Employment

Imperial employs close to 44 000 people and relies on these individuals to sustain its growth and its contribution to society. Without their loyal support and the support of their families in turn, this group would have looked very different today. Over the years, we have steadily created work opportunities, reflected in our workforce growing from 1 720 in 1987 to 43 792 in 2007 – an average annual increase of 27%.

The geographical breakdown of Imperial's workforce is shown below.

Geographical breakdown	2007	2006
South Africa	37 402	32 978
Rest of world	6 390	6 434
Total	43 792	39 412

Further details on employment by Imperial are included in Annexure E to the financial statements on page 131 of this report.

Labour/management relations

Percentage of employees represented by unions or collective bargaining agreements

A large number of employees in the group are represented by trade unions and covered by collective bargaining agreements. Most larger industry representative unions have membership in the operating divisions but a comprehensive list is not provided due to the number of different unions in the diverse industries represented by our operating divisions.

Employee relations policy

The group recognises its employees as important stakeholders in its businesses. A relationship of trust and respect fosters an environment where employees share responsibility for the performance and reputation of the group. No business can thrive without nurturing harmonious labour relations and a sound relationship with its employees, backed by fair, equal and consistent policies.

We recognise the basic rights of employees to freedom of association, collective negotiation of agreements of service, the lawful withholding of labour as a result of disputes and protection against victimisation.

The rights of employees as individuals are protected, while structures are in place to maintain discipline in the workplace and fairly resolve grievances.

Employees have the right to associate with employee organisations of their choice and to expect recognition of these organisations as representing the majority of interests of a particular group of employees.

Maintaining healthy relationships with trade unions, and particularly those recognised as representing a particular segment of the group's workforce, is very important to us. In line with our philosophy of decentralised management, our policy stipulates that responsibility for sound labour relations rests with each business and substantive negotiations are decentralised as far as practical.

Procedures exist in group companies for negotiation and consultation in the event of changes to conditions of employment or the structure of the organisation.

We expect our contractors and suppliers to subscribe to similar principles to Imperial.

Employment equity

Equity and practices

Because our employment equity strategy is not just a legal requirement but an integral part of our business strategy, we are actively pursuing equity targets and continuously improving our position. The group is committed to providing equal opportunities for all employees regardless of ethnic origin or sex.

Equally, we believe employee participation is in the best interests of a business. The group's diverse nature and policy of decentralisation mean each business unit executes this approach according to its own circumstances. All business units in South Africa have formalised their employment equity policies and submitted plans to the Department of Labour. Each South African company in the group compiles and submits its own progress reports to the department in terms of the Employment Equity Act.

Imperial's employment equity programme includes:

- recruitment programmes to employ talented employees from historically disadvantaged groups at all levels;
- implementing human resource development programmes aimed at enhancing the skills of employees from historically disadvantaged groups;
- accelerating the advancement of historically disadvantaged employees to all levels in the organisation; and
- compliance with applicable legislation and targets.

Historically disadvantaged South Africans (HDSAs): careerpaths and skills development plans

In tandem with our commitment to the principles of equal opportunities for all, we continually strive to make the best use of our human resources by building on existing strengths and developing employee potential. Given the group's need for skilled human resources, our approach is based on the following principles:

- the advancement of HDSAs through group-wide employment equity programmes and skills development programmes;
- the economic empowerment of HDSAs with emphasis on Imperial's own employees but also the broader community;
- the social upliftment of HDSAs; and
- the elimination of workplace discrimination based on race, colour, sex, pregnancy, marital status, sexual orientation, age, disability, religion, belief, HIV/Aids, political affiliation, language and birth.

The group's programmes are particularly aimed at:

- selecting, employing, advancing and promoting all employees on the basis of merit and experience;
- rewarding equally for work of equal value, taking into account merit and experience; and
- providing training programmes and facilities for improving the productivity and skills of employees who demonstrate the required aptitude to enable them to advance in the trades and in technical, administrative and managerial positions.

Reporting

In compliance with Section 22 of the Employment Equity Act, Annexure E to the annual financial statements summarises our progress reports as submitted to the Department of Labour.

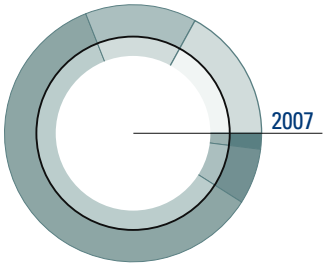
Human resource development

Human resource development (HRD) is a core component of Imperial's human resource strategies. HRD plans are continuously integrated with the business plan, assessed, reviewed and revised. These plans comprise the short-, medium-, and long-term human capital development commitments of our organisation.

Imperial also regards people and leadership development across all levels as a key component of good corporate governance.

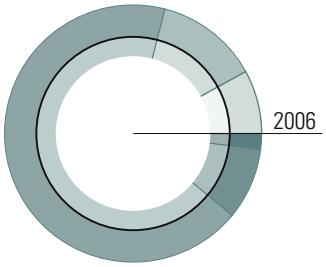
Sustainability report

Annual training hours (%)



Senior management	2%
Middle management	7%
Professional, production and technical staff	60%
Administrative staff	14%
Maintenance	17%

Annual training hours (%)



Senior management	2%
Middle management	9%
Professional, production and technical staff	68%
Administrative staff	13%
Maintenance	8%

The group invested more than R77 million (2006: R71 million) in training during the past financial year. Hours invested in training are set out in the chart to the left.

In response to changing needs in the group, R100 million has been allocated to establish a skills development programme and permanent training facility that will focus on areas identified as requiring special attention within the group.

The Imperial group is constantly training and developing employees according to their specific needs. It is not possible to report on all these activities, but against the background of the noted policy priorities, the following programmes deserve specific mention:

Training outside public practice (Topp)

Imperial has established a Topp programme with a view to providing HDSAs who aim to become chartered accountants with an opportunity to complete their practical training outside the traditional auditing firm articles. This recognises the need to train and accredit more professionals who do not necessarily wish to become auditors after completing their training. The programme is underwritten by SAICA and participants get full credit for the practical training completed. Participants are exposed to practical accounting work in the divisions of Imperial and successful candidates are generally employed by the group after completing the programme. In addition, a bursary scheme for eligible accountancy students is being considered as part of the programme and successful students will then be incorporated in the training programme.

Learnerships

The logistics division has a well-developed learner-driver programme aimed at national certification as professional drivers.

Various learnerships have been implemented in other divisions, such as the national certificate in motor sales and support service in our motor dealership division.

Study assistance

Imperial provides study assistance to selected employees from designated groups to participate in job-related and management training and education programmes such as the University of Johannesburg certificate and diploma in road transport.

Management trainee programme

Most divisions have implemented management trainee programmes to benefit candidates from previously disadvantaged groups. These programmes provide trainees with experience in all departments of the business while exposing them to structured training programmes in the areas of transport economics, human resources and industrial relations, sales and marketing, IT and management.

Apprenticeships

Apprenticeship programmes have been implemented in various companies in the motor dealerships division. Enrolled candidates are mainly from historically disadvantaged groups. Approximately 50 new candidates are enrolled annually. An apprenticeship programme for diesel mechanics is in place in the logistics division.

Training in aviation maintenance

In the aviation division, previously disadvantaged employees in our fixed wing and helicopter maintenance workshops are trained to qualify as aircraft mechanics, avionics technicians or sheet metal artisans.

Community development

The group has created the Imperial and Ukhamba Community Development Trust with a donation of R3,3 million made up of a 6% shareholding in Ukhamba Holdings and R1 million in cash to facilitate teaching mathematics, science and english in schools in historically disadvantaged communities.

Empowerment

Black economic empowerment (BEE) is a strategic imperative in the group and therefore managed and co-ordinated at executive board level.

We believe corporate sustainability in South Africa depends largely on implementing a successful BEE programme. 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 crucial that the process of economic transformation be accelerated 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 an opportunity to share increasingly in wealth creation resulting from economic activities.

Imperial's BEE policy

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

Our empowerment policy is based on the following principles:

- Imperial accepts the economic contribution of individual entrepreneurship, given the socio-economic makeup of South African society, and believes BEE should be broad-based and as inclusive as possible to ensure that previously disadvantaged communities benefit as widely as possible from BEE initiatives.
- Imperial prioritises the empowerment of its own HDSA employees and their families and accepts its role in the empowerment and social upliftment of the broader community as a responsible corporate citizen.
- Imperial accepts that real empowerment can be achieved only through increased economic growth and the continued growth of its business therefore remains a priority. Without sufficient growth, BEE will be relegated to mere wealth redistribution.
- HRD and skills transfer are crucial components of BEE and underpin the successful implementation of any empowerment programme. Black employees and entrepreneurs will not be successfully able to manage and control enterprises unless they have the required skills.
- Imperial recognises its responsibility towards its shareholders to continually provide an attractive return on their investment and empowerment initiatives must consider the interests of shareholders as stakeholders in the business.
- Imperial supports the system of industry charters being developed by the government. The group actively participates in processes for developing charters for the industries in which it operates. Group companies strive to achieve charter targets where these have been developed for their industries.

The primary components of Imperial's BEE programme are summarised below:
Imperial's transformation initiatives are not concentrated solely on equity but extend to all other areas of the business, from enhancing representation at board level to areas such as preferential procurement and skills development, which were prioritised 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.

Equity ownership

The South African government has set certain targets for equity ownership by black people through industry charters and the Department of Trade and Industry has issued an empowerment scorecard. Imperial recognises that a substantial increase in the number of black people with ownership and control of enterprises is a crucial 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, through 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 (Pty) Ltd whereby Lereko became the owner of approximately 6,6% of the company's equity in a transaction valued at R1,4 billion. Lereko has appointed two representatives to the Imperial board of directors.

Including the direct black ownership of 16,9% held by Ukhamba and Lereko, 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 close to 40%. Imperial's aggregate direct and indirect BEE shareholdings meet the requirements of government charters.

Enterprise development

Amasondo Fleet Services (Pty) Ltd

Amasondo is jointly owned by Ukhamba (51%) and Imperial (49%). Imperial provides its full strategic and financial backing to Amasondo to aid its continued growth as a BEE enterprise. Amasondo is already a service provider to a number of large customers.

Ukhamba Holdings(Pty) Ltd

Ukhamba Holdings was formed in 1998 by the Imperial group 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 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. Ukhamba has investments in 20 entities, some as co-shareholder with Imperial and others on its own.

In the interests of black, Indian and coloured employees working in the Imperial group, 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.

Currently the value of a unit is R420 (2006: R315), and this value has grown continuously from the original R50 per unit. To make it affordable, employees can purchase fractional units at a minimum price of R50 per month.

When unitholders leave the company, they retain their investments and continue to benefit from the growth.

B-scheme

In 2004, Ukhamba Holdings acquired 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.

In March 2004, units in the B-scheme were allocated to 15 000 black, Indian and coloured employees then employed by the Imperial group. All B-scheme holders automatically became beneficiaries of the Ukhamba Trust. These units were awarded according to length of service with the Imperial group. The current value per unit is estimated between R50 000 and R150 000, depending on length of service. The second tranche of dividends was paid to participants in November/December 2006 and another dividend will be paid in the last quarter of this year.

The first three tranches, representing nearly six million deferred ordinary shares, have already converted to ordinary shares in Imperial Holdings Ltd. This represents tangible wealth enhancement for Ukhamba and its shareholders. The converted ordinary shares are unencumbered and listed on the JSE with a value in excess of R830 million. This is a unique achievement creating real wealth for more than 15 000 historically disadvantaged individuals who also receive their share of dividend payouts from the converted shares.

In the nine years since its establishment, Ukhamba has generated profits from its various businesses and investments. The value of shareholders' funds in Ukhamba currently amounts to R2,6 billion. Of this, 53% is attributable to the 15 000 members and the Imperial and Ukhamba Community Development Trust.

The emphasis in Ukhamba's various business ventures is on skills transfer and BEE. 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 their businesses.

During the 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. Ukhamba's investments now include:

Investment	% shareholding
Amasondo Fleet Services	51
Citroen Motor Distributorship	10
Distribution and Warehousing Network	34
Ukhamba Green Services	33
Executive Carports	100
Fuelogic	29
Giuricich Construction	20
Ikaheng Human Resource Services	100
Mi Nett Data Systems	49
Pandae Storage Systems	49
Proteam Panelbeaters	26
Transend Container Logistics	26
TATA Motor Distributorship	20
Ukhamba Auto BMW	51
Via Capital	26
Tanker Services – Fuels and Gas	40
Probe Corporation	26
Cedar Employee Benefits and Consultants	20
Imperial Holdings Ltd	10,1
Mobile Touring Solutions	100

BEE procurement

Imperial has an active programme to increase procurement from BEE providers, and good progress is being made with accreditation at divisional level. In some divisions, procurement from BEE enterprises has grown significantly over the past years and in some cases exceeds 50% of their total procurement expenditure.

Companies in the Imperial group also use Ukhamba Holdings and its subsidiaries as empowerment providers where possible.

SMME development and job creation

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

The growth record of the Imperial group is well known and while some of this growth was through acquisition, a significant number of new positions were created by organic growth in its divisions. Imperial now employs close to 44 000 people.

Divisions contribute to small, medium and micro enterprise development through dedicated programmes to establish and foster these businesses.

Case study

Truckafrica owner driver scheme

One of the enterprise development initiatives in which the group is involved is the Truckafrica owner driver empowerment scheme. Imperial has over a number of years provided loan funding to eligible drivers under the scheme to enable these drivers to acquire trucks, which are then used under contract to Imperial to transport goods on behalf of Imperial. The drivers become the owners of these trucks and and in this way each becomes the owner of an enterprise. Imperial also provides administrative assistance to the drivers who participate in the scheme.

Corporate social investment

Imperial's operating divisions and the businesses in those divisions have their own corporate social investment programmes and initiatives that range from providing internships for learners studying travel and tourism, to sponsoring vehicles for worthy causes and to Aids initiatives. Programmes are managed at the business unit level and are appropriate to the circumstances of each business and the community in which it operates. Examples of the active programmes and projects throughout the Imperial and Ukhamba groups are highlighted in the case studies below.

Case studies

Imperial and Ukhamba Community Development Trust

The trust was set up as part of the Ukhamba empowerment transaction and benefits from 6% of the Imperial shares held by Ukhamba Holdings as well as 5% in the Lereko consortium, which owns 51% of Lereko Mobility (Pty) Ltd. The aim of the trust is to further education in underprivileged communities, particularly informal settlements.

As its flagship project, the trust assisted two primary schools in Vlakfontein in southern Johannesburg, Igugulethu with 820 pupils and Inkululeko Yesizwe with 910 pupils. The aim of the trust is to improve the literacy levels of the children and uplift the community by investing in the teachers and children by providing the necessary aids and equipment. The situation at these schools is similar to that of other disadvantaged schools with few or no textbooks, insufficient equipment and materials, too many pupils per classroom – 60 to 70 per class – prefabricated classrooms and no sports facilities. Nearly half the children at these schools have only one parent and many are orphans.

Ukhamba has an agreement with the Department of Education to support these schools by assisting with teaching aids. The trust is committed to ensuring that both schools can offer the best education possible to all learners and will assist wherever possible.

Re-energised by this private and public sector support, benefits are now emerging at every level from the school management teams to the youngest learners. Inkululeko Yesizwe is rapidly becoming a beacon in the settlement as the facilitator employed by the trust works on curriculum and educator development programmes. At Inkululeko, the foundation phase is well resourced with a grade R class on site and an Experico numeracy programme that is boosting mathematics performance to unprecedented levels.

Adelaide Gymnasium

Imperial's leasing and capital equipment division adopted the motor mechanics section of the Adelaide Gymnasium. It is a well-established school in an impoverished environment in the Eastern Cape, educating 450 learners. The motor mechanics section has 119 learners. Much-needed equipment such as engines and gearboxes has been provided, as has finance to replace obsolete equipment or repair equipment. Imperial uses its influence in the industry to secure donations of hand tools and testing equipment and other essential resources. The workshop is used to train accredited diesel mechanics, and Imperial helps provide employment opportunities for students once they are qualified. Imperial has committed to a five-year sponsorship of R20 000 each year to the school.

Besides funds, the division is playing a mentoring role to staff, providing opportunities for teachers to upgrade skills and ensure they have knowledge of technological advances in the motor trade.

Vehicle sponsorships
A number of worthy initiatives, amongst others the Walter Sisulu Paediatric Cardiac Centre for Africa, have received sponsored vehicles for the benefit of the communities in which they operate.

Adelaide Tambo School for Physically Challenged Children
The Adelaide Tambo School is in Soweto and educates 350 physically challenged learners. Imperial Fleet Services donated a new bus to the school, valued at approximately R550 000 and equipped with a special hydraulic lift to raise children into the bus and secure them safely once inside. Imperial Fleet Services will maintain the bus.

Imperial's divisions support a wide variety of charities and community projects.

Imperial's donations to social responsibility programmes during the year were as follows:

	2007 R '000	2006 R '000
Cash and in kind donations	10 861	9 854

Health and safety

Practices on recording and notifying occupational diseases and accidents
As a responsible employer, the group has a simple goal: to eliminate all injuries and fatalities from its operations. Imperial is committed to providing safe and healthy working conditions for all employees. All accidents, injuries and fatalities in the group are reported at every board meeting of Imperial Holdings and monthly at every executive committee meeting. Any employee fatality is immediately reported to the board and the executive committee.

Although several divisions operate in white-collar environments where risks are limited, health and safety are priorities in operations of a more industrial nature, such as our logistics, aviation and motor workshops.

Primary safety measurements include lost time injuries and vehicle accident rates in the transport operations. Training is the cornerstone of safety and, where appropriate, extensive health and safety training is provided, for example in handling hazardous products and advanced driving.

To assess risks and take necessary corrective steps, Imperial's operations (in cooperation with workers and unions) report and investigate:
- accidents and other incidents, whether or not they cause bodily injury;
- suspected and confirmed cases of occupational disease; and
- any other situation in which there may be an unacceptable risk.

Sustainability report

Appropriate procedures have been implemented in our various divisions for reporting and analysing health and safety incidents. This information is dealt with at executive and risk committee level in our divisions in an attempt to continually improve in this area. All accidents require investigation and results are used to devise measures to reduce the probability of a recurrence.

In high-risk operations, such as transporting hazardous products, health and safely are managed by professionally staffed loss control departments and specific procedures have been implemented to protect employees and the public from exposure to hazardous substances.

A number of measures have been introduced in our transport operations to improve health and safety. Two truck stops for drivers have been established on the Durban/Johannesburg route. Imperial also supports, financially and otherwise, roadside wellness clinics established by stakeholders in the roadfreight industry on main transport routes throughout South Africa. Imperial has sponsored three of these clinics. The group also has an occupational health clinic for employees in Wadeville, where the biggest concentration of our transport workforce is based.

HIV/Aids

Imperial acknowledges the gravity 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 scale of its socioeconomic and business implications. The group works with all stakeholders to manage comprehensively 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.

Due to the impact the pandemic could have on the group, Imperial has formulated group-wide policy guidelines to:

- ensure fair and consistent treatment of all employees who have contracted HIV/Aids;
- ensure the protection and rights of employees who may have contracted HIV/Aids and, in particular, ensure they are not discriminated against and that their need for confidentiality and job security is protected;
- provide a framework for educating employees and management on HIV/Aids. The aim is to slow the spread of the disease, motivate employees to participate in confidential testing and treatment, and direct them to facilities and programmes for treatment. Management education programmes are aimed at dealing with employees affected with HIV/Aids in the workplace;
- provide guidelines on actions to reduce the impact of HIV/Aids in the workplace; and
- 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 its employees to HIV/Aids, an industry-wide programme was implemented to control the disease. Imperial played a leading role in the development and implementation of this programme, which has as its aims:

- extensive education and awareness throughout the road freight sector;
- establishing a national provider network for confidential HIV testing, treatment and counselling as well as after-care services for employees in the roadfreight sector living with HIV/Aids.

Safety committees

In a number of our divisions, health and safety committees staffed by management and employee representatives have been established. These committees deal with workplace health and safety issues and make recommendations to management for continual improvements to the working environment of employees.

Road accidents

By far the majority of accidents, injuries and fatalities resulted from road accidents, unfortunately an inherent risk in many of the group's operations. The frequency of these events is to some extent affected by pressures on our roads. In addition, the increase in the use of the Imperial transport fleet results in a corresponding increase in accidents.

Imperial Logistics measures accident and fatality frequency per million kilometres travelled as we believe this is the most appropriate measure for our transport operations. During the year, trucks in the division travelled 655 million kilometres (2006: 480 million), translating to a fatality rate of 0,019 road fatalities per million kilometres travelled, which compares favourably with a rate of 0,087 fatalities per million kilometres recorded for South Africa in total*. As road accident fatalities often result from third-party error, key statistics are further analysed to determine the cause of each fatality. This analysis is based on an objective evaluation of the circumstances of each fatality.

** Arrive Alive 2004.*

The key safety statistics for the group are shown below.

SAFETY Division	Incidents 2007	Fatalities resulting from incidents 2007	Incidents 2006	Fatalities resulting from incidents 2006
Logistics	2 863	13	3 373	47
Leasing and capital equipment	24	0	0	0
Aviation	57	0	87*	0
Car rental and tourism	6	1	1	1
Dealerships	2	1	1	1
Insurance	0	0	0	0
Distributorships	5	0	0	0
Total	2 957	15**	3 462	49

* Incident reporting in the aviation industry is prescribed by local and international civil aviation regulations. Every incident, even those of a very minor nature, has to be reported. During the period, no major incidents occurred in this division.

**Excludes third parties.

Human rights

The group subscribes to the principles embodied in the Universal Declaration of Human Rights and in the Constitution of the Republic of South Africa. The group also supports the four key groupings fundamental to the rights of human beings at work, identified by the International Labour

Organisation:
- Freedom of association.
- The abolition of forced labour.
- Equality.
- The elimination of child labour.

The group:
- recognises that business enterprises are also obliged to respect, ensure respect of, prevent abuses of and promote fundamental human rights;
- acknowledges that its operations have economic, social, cultural and environmental consequences;
- recognises that all human beings are entitled to fundamental human rights; and
- recognises its rights and complies with its duties in terms of the Constitution of the Republic of South Africa and all other relevant local legislation in the various countries in which the group conducts its operations.

Accordingly, the group is committed to:
- adhering to sound corporate governance principles and ethical and fair business practices;
- respecting the fundamental human dignity of its employees;
- ensuring equality of all its employees and ensuring safe and healthy working conditions;
- ensuring the right of freedom of association and freedom of expression of its employees and preventing any form of discrimination;
- prohibiting the use of all forms of slave labour, child labour and forced labour;
- respecting the civil, cultural, economic, political and social rights of its employees and observing fair labour practices; and
- adhering to national legislation and policies to ensure the preservation of the environment in the countries in which it operates.

The group will not hesitate to terminate agreements and relationships with contractors or suppliers that act in contravention of international human rights standards and, in particular, that use forced labour or prohibited child labour.

Bribery and corruption

Imperial is implacably opposed to corruption: it does not offer, pay or accept bribes in its dealings in the marketplace and does not tolerate any such activity by its employees.

In addition, employees should not accept or solicit any non-minor gifts, hospitality or other favours from suppliers of goods or services.

The group has instituted a secure and accessible channel through which 'whistleblowing' can take place in confidence and without risk of reprisal.

Political contributions

It is the policy of the group not to make contributions to political parties and no such contributions were made during the year.

Competition and pricing

The group believes in free competition and encourages both external and internal competition in all business units.

Product responsibility

Customer health and safety

The health and safety of customers are of paramount importance to Imperial. Individual businesses in the group that deal directly with customers have policies to preserve customer health and safety. Due to the decentralised nature of the group's business, each unit is responsible for formulating and applying a policy appropriate to the environment in which it operates. Certain business units do not have customer health and safety policies, primarily those whose operations do not involve direct interaction with customers. Where appropriate, customer health and safety policies and procedures are communicated to customers.

In addition, customers are advised of legal, safety and health requirements in accordance with applicable legislation.

Products and services

The group does not manufacture products of any significance, with the exception of Jurgens Ci caravans and Beekman Canopies, and therefore relies on the manufacturers of products to provide labelling and product information. Where such labelling or information is found to be inadequate from a marketing, safety or regulatory perspective, appropriate measures are introduced to ensure that the labelling or information is upgraded and complies with local regulations.

Regular customer satisfaction reviews are conducted in various businesses. Reviews are conducted informally and formally, independently and in conjunction with the manufacturers of products sold and distributed by the group.

Advertising

Advertising is conducted in a variety of media by individual business units targeting markets and customers appropriate to these businesses. The group has no record of any charges having been laid by competitors or the public regarding unfair or misleading advertisements or practices.

Respect for privacy

Businesses in the group dealing with retail customers generally have policies and procedures to maintain customer privacy.

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Core	Description	Pg	Core	Description	Pg	Core	Description	Pg
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EC1	Net sales	40	EN8	Greenhouse gases	46		Strategy and management	
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Corporate governance

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 the company.
- Conforming to corporate governance standards, which can impose constraints on divisional management.

The board of directors

Composition and appointment

The company 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 fourteen non-executive directors and eight executive directors. Six of the non-executive directors, including the chairperson, are independent. No block of directors can dominate the board and no shadow directors have been appointed. The non-executive directors that are not classified as independent are the following:

- Oshy Tugendhaft is a practising attorney and provides legal services to the group
- Max Sisulu and Veli Mokoena represent Ukhamba Holdings, a large BEE shareholder
- Popo Molefe and Valli Moosa represent Lereko Mobility, a large BEE shareholder
- Bill Lynch was employed in the group in an executive capacity until 4 July 2007
- Carol Scott was employed in the group in an executive capacity until 30 June 2006
- Younaid Waja represents the Public Investment Corporation, a large shareholder.

At least one third of the non-executive directors retire by rotation each year and stand for re-election at the annual general meeting in accordance with the articles of association. In addition, the re-appointment of directors appointed during the year is submitted to the annual general meeting for confirmation.

Executive directors are considered to be employees and representatives of the company and as such, in terms of the articles of association may have a contract with the company for a maximum of five years. They are appointed by an independent quorum of directors who agree on the details of any contracts. None of the executive directors have fixed term service contracts except for Gerhard Riemann, who has a fixed term contract which terminates in 2009.

Responsibilities

The board of directors is responsible for setting the direction of the group through the establishment of strategic objectives and key policies. Board meetings are held at least quarterly with additional meetings called 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 responsibilities of the board are clearly defined. The board has also adopted, and regularly reviews, an authority policy governing the authority delegated to the management of the group and 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, changes to the board on recommendation from the remuneration and nominations committee and other matters having a material effect on the group or required by statute.

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

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

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. The company board ratifies appointments to the boards of major subsidiaries.

Board committees and governance structure

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

Executive committee

This committee is responsible for:

- devising group strategy for recommendation to the board of directors and to implement the strategies and policies approved by the board; and
- managing the business and affairs of the group.

The executives on this committee are appointed by the board. The committee consists of not less than four members and meets at least once a month.

The current members are Hubert Brody (chairman), Osman Arbee, Manny de Canha, Walter Hill, Tak Hiemstra, Nazeer Hoosen, Hafiz Mahomed and Marius Swanepoel. Ralph Boëttger resigned from the committee on 31 May 2007 and was replaced by Marius Swanepoel. Bill Lynch resigned from the committee with effect from 4 July 2007.

Audit committee

The group audit committee consists of non-executive directors, one of whom is appointed as chairman. 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 and these committees 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 audit committees and attend meetings to report on their findings and to discuss accounting, auditing, internal control and financial reporting matters.

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

Remuneration and nomination committee

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

The responsibilities and work of the committee during the year are set out in the remuneration report on pages 72 to 75.

The current members are Leslie Boyd (chairman), Phumzile Langeni, Roy McAlpine, Mike Leeming, Roddy Sparks, Oshy Tugendhaft and Younaid Waja.

Risk committee

The board is responsible for the total process of risk management in the group. The risk committee sets 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 safeguarding the interests of stakeholders, the group implemented a risk identification and assessment methodology and software program that is aligned with best-practice requirements to identify, assess and monitor risks at strategic, business and process levels.

Risk is viewed not only 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 consists of many business units and therefore the overall group risk is spread and minimised. The 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 the level 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.

The system of internal control has been implemented in all key operations and is tailored to suit the specific circumstances of each business unit. It provides reasonable rather than absolute assurance that the group's business objectives will be achieved within the 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 control as a measure to mitigate and control risk.

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

- considered what the company's risks are and how they have been identified, evaluated and controlled;
- assessed the effectiveness of the related process of risk management and, particularly, reports of significant failings or weaknesses in the process;
- considered if the necessary action is being taken timeously to rectify any significant failings or weaknesses; 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.

The current members of the committee are Oshy Tugendhaft (chairman), Erich Clarke, Mike Dickinson, Tak Hiemstra and Veli Mokoena. Ralph Boëttger resigned from the committee on 31 May 2007 and was replaced by Erich Clarke.

Asset and liability committee

The asset and liability committee (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 analysis of the maturity mismatch gap between assets and liabilities and is managed by accessing various sources of funding (bonds, commercial paper and bank facilities) across the yield curve 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 are not properly matched in terms of their repricing profile and therefore, should there be fluctuations in interest rates, the company 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 and 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 rate 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 by various means including 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 also approves funding mechanisms and exposure limits for recommendation to the board where required.

The current members of the committee are Hubert Brody (Chairman), Tak Hiemstra, Walter Hill, Mike Leeming, Hafiz Mahomed, Russell Mumford and Willem Reitsma. Bill Lynch resigned from the committee with effect from 4 July 2007.

Meeting attendance

The table below details attendance of board and committee meetings.

	Board: regular meetings	Executive committee	Assets and liabilities committee	Audit committee	Remuneration and nomination committee	Risk committee
Number of meetings during the year	4	15	4	5	9	3
Leslie Boyd	4				9	
Ralph Boëttger	3/3	14/14				3
Hubert Brody	4	15	4			
Manny de Canha	4	14				
Phil Erasmus	4					
Tak Hiemstra	4	14	4			3
Walter Hill	4	14	4			
Phumzile Langeni	4			3	6/7	
Mike Leeming	4		3	5	8	
Bill Lynch	4	13	2			
Hafiz Mahomed	4	14	4			
Roy McAlpine	4				8	
Veli Mokoena	4					3
Popo Molefe	3					
Valli Moosa	4					
Gerhard Riemann	4					
Carol Scott	4					
Max Sisulu	2					
Roddy Sparks	4			3/3	7/7	
Oshy Tugendhaft	3			4	8	3
Younaid Waja	4			4	6/7	
Other executive committee members						
Osman Arbee	*	14				
Nazeer Hoosen	*	14				
Marius Swanepoel		1/1				

*Appointed after 25 June 2007.

Company secretary

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

Accountability and audit

Going concern

The group audit committee considers the facts and assumptions used in the assessment of the going concern status of the group at 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 unauthorised use or disposal, as well as the maintenance of proper accounting records that give reasonable assurance for the reliability of financial information produced.

Internal audit

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

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

The internal audit activities of the group are coordinated by the group internal audit executive (GAE) based at the corporate office. She reports to the director: group strategy and has unrestricted access to the group audit committee and its chairman. The GAE reports formally at all audit committee meetings held during the year. The forthcoming 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 Holdings Ltd 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 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 directors, executive committee members, the company secretary and directors of major subsidiaries to obtain permission from designated individuals before trading in the group's securities.

Principles of conduct

Business integrity and ethics

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

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

Management and employees operate within a framework, which 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 at our workplaces, and our conditions of service comply with applicable laws and industry standards. More detail regarding the group's policies and practices is contained in the sustainability report on pages 41 to 60.

Safety, health and environmental stewardship

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

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

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

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

More detail regarding the group's policies and practices is contained in the sustainability report on pages 41 to 60.

Imperial Holdings

Annual financial statements

Annual financial statements

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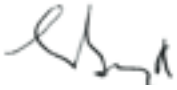
Directors' responsibility for financial reporting

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 61 of 1973, as amended, of South Africa. The group's independent external auditors, Deloitte & Touche, have audited the financial statements and their unqualified report appears on page 69.

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

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

The annual financial statements set out on pages 70 to 130 were approved by the board of directors and are signed on their behalf by:



L Boyd
Chairman

HR Brody
Chief executive

AH Mahomed
Financial director

28 August 2007

Certificate by company secretary

In my capacity as company secretary, I hereby confirm that in terms of the Companies Act of South Africa, 61 of 1973, as amended, for the year ended 25 June 2007, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

RA Venter
Company secretary

28 August 2007

Independent auditor's report to the shareholders of Imperial Holdings Limited

We have audited the annual financial statements and group annual financial statements of Imperial Holdings Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 25 June 2007, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 70 to 130.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group as at 25 June 2007, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Deloitte & Touche – Johannesburg
Registered auditors

Per BW Smith
Partner

28 August 2007

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

National executive:
GG Gelink (chief executive), AE Swiegers (chief operating officer), GM Pinnock (audit), DL Kennedy (tax), L Geeringh (consulting), L Bam (strategy), CR Beukman (finance), TJ Brown (clients and markets), NT Mtoba (chairman of the board), J Rhynes (deputy chairman of the board)

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

Directors' report for the year ended 25 June 2007

Nature of business

The nature of the business and operations is dealt with on pages 9 to 35.

Financial performance

Net attributable profit for the year amounted to R2 776 million (2006: R2 247 million) which represents headline earnings per share of 1 434 cents (2006: 1 222 cents).

The results for the year are set out in the income statement on page 77 of this report.

Share capital

The authorised and issued share capital is detailed in note 16 to the financial statements.

The movements in the ordinary shares were as follows:

	Company	Repurchased shares	Net
Balance brought forward	207 896 450	(20 252 955)	187 643 495
Deferred ordinary shares converted	1 721 529		1 721 529
Treasury stock purchased by subsidiary in terms of general authority		(2 630 386)	(2 630 386)
Balance carried forward	209 617 979	(22 883 341)	186 734 638
The number of preferred ordinary shares is as follows:			
Balance brought forward	14 516 617		14 516 617
The movements in the number of deferred ordinary shares were as follows:			
Balance brought forward	21 015 388		21 015 388
Converted into ordinary shares	(1 721 529)		(1 721 529)
Balance carried forward	19 293 859		19 293 859
Total issued ordinary share capital	**243 428 455**	**(22 883 341)**	**220 545 114**
The movements in the number of non-redeemable, non-participating preference shares ('preference shares') were as follows:			
Issued*	4 540 041		4 540 041

**A total of R441 million was raised during the year by way of an issue of 3 000 000 preference shares amounting to R298 million in November 2006 and 1 540 041 preference shares amounting to R143 million in June 2007. The preference shares are classified as interest bearing debt in the balance sheet because of their cumulative dividend rights.*

Directors and secretary

The names of the directors and secretary who presently hold office are set out on the inside back cover.

RJ Boëttger resigned as a director on 31 May 2007.

WG Lynch retired as chief executive on 4 July 2007 and was succeeded by HR Brody on that date. WG Lynch remains on the board as a non-executive director.

Messrs OS Arbee and N Hoosen were appointed to the board of directors of the company on 4 July 2007. These appointments are to be confirmed at the forthcoming annual general meeting.

In accordance with the articles of association L Boyd retires, having reached the age of 70, and messrs PL Erasmus, MJ Leeming, WG Lynch and A Tugendhaft retire by rotation at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

The aggregate interest of the directors in the issued ordinary share capital of the company is disclosed in note 16 to the financial statements.

Imperial Holdings share option, incentive trust and share purchase scheme

The shares have been placed under the control of the directors. Details of the shares and options granted in terms of the schemes are set out in the remuneration report on page 72.

Capital distribution and dividend

Details of the capital distribution and dividend are set out in note 33 to the financial statements.

Subsidiaries

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

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

	2007 Rm	2006 Rm
Income	2 866	2 028
Losses	168	170

For practical reasons certain international subsidiaries have a financial year ending 31 May and these results are incorporated into the financial statements.

Changes to holdings in material subsidiaries were as follows:

Imperial Holdings

- 100% of Terex Africa (Pty) Ltd, a company engaged in the importation and distribution of mining equipment and component parts, was acquired.
- Distribution rights for New Holland earthmoving equipment were acquired by Imperial NH Equipment (Pty) Ltd.
- 100% of Alert Engine Parts (Pty) Ltd, a wholesaler and retailer of motor vehicle engine parts, was acquired.
- An 80% interest in Jurgens Ci (Pty) Ltd, a manufacturer and distributor of leisure caravans and camping equipment, was acquired.

Tourvest

- Tourvest acquired 100% of the Kristensen Oceanfront restaurants.

Special resolutions

The company passed the following special resolutions:

- Granting to the directors of the company a general authority for the acquisition by the company or any subsidiary, of ordinary shares in the company.
- The conversion of ordinary shares into non-redeemable, non-participating preference shares and the amendment of the Articles of Association to provide for the rights attaching to them.

Tourism Investment Corporation Limited passed the following special resolution:

- Granting to the directors of the company a general authority for the acquisition by the company of ordinary shares in the company.

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

Post-balance sheet events

In terms of the Ukhamba black economic empowerment (BEE) transaction 2 511 891 deferred ordinary shares converted to ordinary shares in July 2007. These shares will be listed on the Johannesburg Securities Exchange.

Accounting policies

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

The impact of any newly issued standards that may become applicable in the future are outlined in note 3 to the financial statements.

Remuneration report

Role of the remuneration and nomination committee and terms of reference

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 subsidiaries;
- Significant changes to the group pension and provident funds and medical aid schemes;
- Share incentive schemes and any significant changes;
- Executive succession;
- Increases to non-executive directors' fees; and
- Candidates for appointment to the board.

Membership of the committee

The members of the committee during the year were Leslie Boyd (chairman), Phumzile Langeni, Mike Leeming, Roy McAlpine, Roddy Sparks, Oshy Tugendhaft* and Younaid Waja*, all of whom are non-executive directors. (*not independent)

The committee had three regular meetings during the past financial year. The chief executive officer and group financial director attend committee meetings and assist the committee in its deliberations, except when issues relating to their own remuneration are discussed. No director is involved in deciding his or her own remuneration.

In addition to its regular meetings, the committee met six times during the year as part of the process of identifying a suitable candidate to replace Bill Lynch as chief executive of the group. No executive directors attended these meetings.

Remuneration policy

Principles of executive remuneration

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

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

Elements of executive remuneration

Executive directors' remuneration comprises the following four principal elements:

- Base salary.
- Annual bonus.
- Share ownership schemes.
- Benefits.

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

Base salary

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

Annual bonus

All executive directors are eligible to receive a discretionary annual bonus. The bonus is non-contractual and not pensionable. The committee reviews bonuses annually and determines their level, after consultation with the CEO.

Share incentive scheme

Options over Imperial shares are granted to executive directors and other senior executives based on criteria considered by the committee to be similar to those used for the annual bonus. The options are allocated in accordance with the rules of the scheme and vest after stipulated periods.

The committee has also implemented two long-term incentive plans approved by shareholders. Participation in the schemes by executive directors and other senior executives is based on criteria considered by the committee to be similar to those used for the annual bonus. The schemes embody the following elements:

Executive share appreciation scheme (ESAS)

Participants in the ESAS are granted rights to payment in shares of the company by a subsidiary of the company. The rights vest after four years, which period may be extended by up to two years if the market value is below the strike price. The amount of the bonus is linked to the appreciation of Imperial's share price and is subject to performance criteria based on the earnings per share (EPS) growth of the company.

Share purchase scheme (SPS)

The interest bearing SPS allows participants to purchase shares, at market value, on interest bearing loan accounts. There are no restrictions attached to the vesting or sale of the shares. Interest is payable by participants to the company at a market related, variable rate. Interest is capitalised on the loan and the loan is repayable when a participant disposes of the shares or earlier, at the election of the participant. The rate of interest is determined according to a sliding scale that penalises participants if the shares are sold in the first five years after allocation or in the last three years before the termination of the scheme in year 10.

A total of 3 932 000 (2006: 3 232 300) Imperial Holdings Limited shares with a corresponding loan value to participants of R570 243 472 (2006: R427 542 423) are subject to the SPS.

Retirement schemes

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

Other benefits

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

Other matters affecting remuneration of directors

External appointments

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

Non-executive directors

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

Directors' fees

For the past financial year, each of the non-executive directors received directors' fees at the rate of R112 000 pa (2006: R103 000). The chairman received twice a members' fee and the deputy chairman R135 000 (2006: R125 000). Non-executive directors who serve on the Imperial group committees each received annual fees as follows: audit committee R54 000 (2006: R50 000); remuneration and nomination committee R44 000 (2006: R32 000), risk committee R44 000 (2006: R40 000), assets and liabilities committee R44 000 (2006: R44 000).

Non-executive directors do not participate in the company's annual bonus plan, share option schemes or long-term incentive plan, except for Veli Mokoena who is employed by Ukhamba and participates in the SPS and ESAS.

Increase in directors' fees

At the annual general meeting on 1 November 2007, members will be requested to approve the following increases in non-executive directors' remuneration:

- Board from R112 000 to R125 000;
- Chairman from R224 000 to R310 000;
- Deputy chairman from R135 000 to R220 000;
- Asset and liabilities committee from R44 000 to R48 000;
- Audit committee from R54 000 to R65 000;
- Risk committee from R44 000 to R48 000;
- Remuneration and nomination committee from R44 000 to R48 000.

Remuneration report

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

The fees paid to chairmen of the board and committees will increase to two and a half times a member's fee. Executives receive no directors' or committee fees in addition to their normal remuneration.

Directors' remuneration

The table below provides an analysis of the emoluments paid to executive and non-executive directors of the company for the year ended 25 June 2007.

Name	Salary R000	Bonus R000	Retirement and medical contributions R000	Other benefits (note 1) R000	Directors' fees R000	Subsidiaries, associates and sub-committee fees R000	2007 Total R000	2006 Total R000
Non-executive								
L Boyd					224	88	312	270
PL Erasmus					112	22	134	123
P Langeni					112	54	166	128
MJ Leeming					112	262	374	295
JR McAlpine					112	186	298	265
E Molobi								157
P Molefe					112		112	103
V Moosa					112		112	103
A Tugendhaft					112	186	298	265
VJ Mokoena (note 2)	648	500	76	162	112		1 498	1 151
CE Scott					112	88	200	
MV Sisulu (note 2)					112	270	382	373
RJA Sparks					112	76	188	
Y Waja					112	54	166	153
	648	500	76	162	1 568	1 286	4 240	3 386
Executive								
WG Lynch	2 896	1 750	415	211			5 272	4 779
RJ Boëttger	1 935	1 000	500	392			3 827	4 201
HR Brody (note 3)	2 144	1 500	364	94			4 102	
MP de Canha	2 349	1 750	396	226			4 721	4 298
RL Hiemstra (note 3)	2 298	1 500	388	113			4 299	3 718
WS Hill	2 323	1 500	392	72			4 287	
AH Mahomed	2 901	1 750	484	184			5 319	4 516
GW Riemann (note 4)	3 274	4 093	633	370	84		8 454	9 525
CE Scott								4 436
	20 120	14 843	3 572	1662	84		40 281	35 473
Total	20 768	15 343	3 648	1 824	1 652	1 286	44 521	
June 2006	16 765	14 692	3 109	1 877	1 439	977		38 859

Notes

1 Other benefits

These include the fringe benefit value of company cars and motor car allowances.

2 VJ Mokoena is employed by Ukhamba Holdings (Pty) Ltd and MV Sisulu is its chairman. Except for directors' fees, all other costs are borne by Ukhamba Holdings (Pty) Ltd. VJ Mokoena's directors' fee is paid to Ukhamba.

3 In addition, HR Brody and RL Hiemstra received long-term incentive payments relating to their previous full time employment at Imperial Bank in the amount of R500 000 and R1 500 000 respectively.

4 Overseas based

GW Riemann is employed in Germany and his salary is paid in euro and based on the market conditions in that country.

Directors' service contracts

Directors' contracts are all terminable on one month's notice, with the exception of GW Riemann, who is employed on a fixed term contract that terminates in 2009.

The non-executive directors do not have contracts of employment with the company. Their appointments are made in terms of the company's Articles of Association and are initially confirmed at the first annual general meeting of shareholders following their appointment, and thereafter by rotation.

Share incentive scheme

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

	Options at beginning of year	Options exercised during year	Options at end of year	Options price R	Date granted	Expiry date
WG Lynch	75 000		75 000	53,20	30 June 2003	29 June 2013
HR Brody	50 000		50 000	49,90	26 May 2003	25 May 2013
RJ Boëttger	30 000		30 000	53,20	30 June 2003	29 June 2013
RL Hiemstra	30 000		30 000	53,20	30 June 2003	29 June 2013
WS Hill	25 000 40 000 40 000		25 000 40 000 40 000	53,20 62,50 66,50	30 June 2003 9 December 2003 15 January 2004	29 June 2013 8 December 2013 14 June 2014
AH Mahomed	50 000 75 000	30 000	20 000 75 000	37,00 53,20	13 November 1998 30 June 2003	12 November 2008 29 June 2013
CE Scott	75 000		75 000	53,20	30 June 2003	29 June 2013

At the date of this report, the aggregate interests of the directors in the share options of the company's listed subsidiary, Tourism Investment Corporation Limited, were as follows:

CE Scott	1 500 000	1 500 000	0,83	28 February 2002	28 February 2012

The gains on share options exercised during the year were as follows:

	2007 R000	2006 R000
WG Lynch		21 520
RJ Boëttger		5 350
RL Hiemstra		3 930
AH Mahomed	3 375	
VJ Mokoena		433

The benefits received on loan from the share trust during the year were as follows:

AH Mahomed	495	

Participation in share appreciation scheme

	Commencement date	Number of shares	Price on commencement date R	Expiry date
WG Lynch	26 June 2005	15 000	100,78	June 2009
RJ Boëttger	26 June 2005	15 000	100,78	June 2009
HR Brody	26 June 2005	15 000	100,78	June 2009
MP de Canha	26 June 2005	15 000	100,78	June 2009
RL Hiemstra	26 June 2005	15 000	100,78	June 2009
WS Hill	26 June 2005	15 000	100,78	June 2009
AH Mahomed	26 June 2005	15 000	100,78	June 2009
VJ Mokoena	26 June 2005	5 000	100,78	June 2009
GW Riemann	26 June 2005	15 000	100,78	June 2009

The amount of the bonus will be equivalent to the appreciation in the fair market value of an Imperial share on the JSE during the period from the commencement date to the expiry date multiplied by the number of shares. The quantum of the bonus will further be dependent on the performance criteria being met and the bonus must be utilised to acquire Imperial shares.

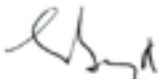
Loans granted for the purchase of shares in terms of the executive share purchase scheme

	Number of shares	Loan balance
WG Lynch	75 000	11 187 244
HR Brody	150 000	22 404 243
MP de Canha	150 000	22 404 243
RL Hiemstra	150 000	22 404 243
WS Hill	150 000	22 404 243
AH Mahomed	138 600	21 406 326
VJ Mokoena	35 000	5 224 681

Approval

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

Signed on behalf of the board of directors



Leslie Boyd
Chairman of the committee

28 August 2007

Group balance sheet

At 25 June	Notes	2007 Rm	2006 Rm
ASSETS			
Intangible assets	4	1 238	945
Investments in associates and joint ventures	5	2 732	1 602
Property, plant and equipment	6	5 441	4 231
Transport fleet	7	2 789	2 570
Leasing assets	8	6 990	6 443
Vehicles for hire	9	1 012	896
Deferred tax assets	10	450	426
Other investments and loans	11	2 793	2 208
Other non-current financial assets	12	842	718
Inventories	13	9 436	7 535
Taxation in advance		140	108
Trade and other receivables	14	8 883	8 248
Cash resources	15	2 788	1 630
Total assets		45 534	37 560
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	16	876	1 762
Shares repurchased and consolidated shares	17	(1 955)	(2 497)
Other reserves	18a	1 203	1 272
Retained earnings		12 397	9 465
Attributable to Imperial Holdings' shareholders		12 521	10 002
Minority interest		946	785
Total shareholders' equity		13 467	10 787
Liabilities			
Non-redeemable, non-participating preference shares	19	441	
Equity-settled interest-bearing borrowings of Lereko Mobility	20		794
Retirement benefit obligations	21	230	218
Interest-bearing borrowings	22	7 396	6 783
Insurance and investment contracts	23	1 722	1 331
Deferred tax liabilities	10	1 196	941
Other non-current financial liabilities	24	13	127
Provisions for liabilities and other charges	25	1 154	925
Trade and other payables	26	12 526	10 620
Current tax liabilities		940	1 118
Current portion of interest-bearing borrowings	22	6 449	3 916
Total liabilities		32 067	26 773
Total equity and liabilities		45 534	37 560

Group income statement

For the years ended 25 June	Notes	2007 Rm	2006 Rm
Revenue	27	66 214	54 105
Net operating expenses	28	(59 269)	(48 015)
Profit from operations before depreciation and recoupments		6 945	6 090
Depreciation, amortisation and recoupments	29	(1 921)	(1 632)
Operating profit		5 024	4 458
Foreign exchange losses		(28)	(138)
Fair value (losses) gains to foreign exchange derivatives		(11)	26
Fair value gains (losses) on other financial instruments		19	(74)
Exceptional items	30	10	(53)
Profit before net financing costs		5 014	4 219
Finance costs including fair value gains and losses	31	(1 258)	(884)
Finance income	31	232	102
Income from associates and joint ventures	5	327	282
Profit before taxation		4 315	3 719
Income tax expense	32	1 161	1 234
Profit after taxation		3 154	2 485
Attributable to:			
Equity holders of Imperial Holdings Limited		2 776	2 247
Minority interest		378	238
		3 154	2 485
Capital distributions and dividends per share (cents)	33		
– Ordinary shares		560,0	474,0
– Preferred ordinary shares (eight months)		356,7	
Earnings per share (cents)	34		
– Ordinary shares			
– Basic		1 470,5	1 198,1
– Diluted		1 362,8	1 125,8
– Preferred ordinary shares			
– Basic (eight months)		356,7	

Group statement of changes in equity

			Other reserves									
For the years ended 25 June	Share capital and share premium Rm	Shares repurchased and consolidated shares Rm	Share-based payment reserve Rm	Hedging reserve Rm	Statutory reserve Rm	Translation reserve Rm	Valuation reserve Rm	Associates reserves Rm	Retained earnings Rm	Attributable to Imperial Holdings' shareholders Rm	Minority interest Rm	Total Rm
Balance at 26 June 2005	1 929	(1 760)	96	80	98	83		119	7 245	7 890	465	**8 355**
Net gains arising on translation of foreign operations						261				261	18	**279**
Movement in hedge accounting reserve				535						535	74	**609**
Payments on share option hedging			(27)							(27)		**(27)**
Net gains not recognised in the income statement			(27)	535		261				769	92	**861**
Net attributable profit for the year									2 247	2 247	238	**2 485**
Net acquisition of minority interest											128	**128**
Contingency reserve created in terms of the Insurance Act					57				(57)			
Transfer of Imperial Banks' credit risk reserve to statutory reserve					85			(85)				
Release of distributable reserves of associates and joint ventures to retained earnings								(34)	34			
Realised gain on the sale of subsidiary						4			(4)			
Issue of 761 500 ordinary shares	39									39		**39**
Issue of 14 516 617 preferred ordinary shares	806	(802)								4		**4**
Purchase of 772 116 ordinary shares		(101)								(101)		**(101)**
Capital distribution of 220 cents per ordinary share in October 2005	(456)	43								(413)		**(413)**
Capital distribution of 230 cents per ordinary share in April 2006	(478)	45								(433)		**(433)**
Capital distribution of 267,5 cents per preferred ordinary share in September 2005	(39)	39										
Capital distribution of 267,5 cents per preferred ordinary share in March 2006	(39)	39										
Minority share of dividends											(138)	**(138)**
Balance at 25 June 2006	1 762	(2 497)	69	615	240	348			9 465	10 002	785	**10 787**
Net gains arising on translation of foreign operations						142				142	1	**143**
Movement in hedge accounting reserve				(569)						(569)	(77)	**(646)**
Payments on share option hedging			(66)							(66)		**(66)**
Net losses not recognised in the income statement			(66)	(569)		142				(493)	(76)	**(569)**
Net attributable profit for the year									2 776	2 776	378	**3 154**
Net increase in minority interest											25	**25**
Contingency reserve created in terms of the Insurance Act					47				(47)			
Transfer of Imperial Banks' credit risk reserve to statutory reserve					16				(16)			
Purchase of 2 630 386 ordinary shares		(298)								(298)		**(298)**
Deconsolidation of Lereko Mobility		715					361		482	1 558		**1 558**
Capital distribution of 244 cents per ordinary share in October 2006	(511)	49								(462)		**(462)**
Capital distribution of 160 cents per ordinary share in April 2007	(336)	37								(299)		**(299)**
Dividend of 120 cents per ordinary share in April 2007									(224)	(224)		**(224)**
Capital distribution of 267,5 cents per preferred ordinary share in September 2006	(39)	39										
Dividend of 267,5 cents per preferred ordinary share in March 2007									(39)	(39)		**(39)**
Minority share of dividends											(166)	**(166)**
Balance at 25 June 2007	876	(1 955)	3	46	303	490	361		12 397	12 521	946	**13 467**

Group cash flow statement

For the years ended 25 June	Notes	2007 Rm	2006 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		65 627	52 241
Cash paid to suppliers and employees		(59 616)	(46 607)
Cash generated by operations	35a	6 011	5 634
Net financing costs		(1 026)	(782)
		4 985	4 852
Taxation paid		(1 106)	(597)
		3 879	4 255
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries and businesses	35b	(612)	(771)
Disposals of subsidiaries and businesses	35c	150	16
Expansion capital expenditure			
– Intangible assets		(4)	(21)
– Property, plant and equipment		(1 306)	(939)
– Transport fleet		(354)	(541)
– Leasing assets		(809)	(1 046)
– Vehicles for hire		(143)	(115)
Net replacement capital expenditure	35d		
– Intangible assets		(29)	(25)
– Property, plant and equipment		(14)	(245)
– Transport fleet		(213)	(28)
– Leasing assets		(742)	(658)
– Vehicles for hire		(210)	(148)
Net additional investments (loans and equity) in associates and joint ventures		(111)	156
Purchase of equities and loans advanced		(1 347)	(819)
Loans advanced to participants of share incentive trust		(128)	(454)
Proceeds on disposal of investments		1 124	796
		(4 748)	(4 842)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital			43
Net purchase of treasury stock		(298)	(1 539)
Hedge cost of share options		(66)	(32)
Dividends paid		(429)	(138)
Capital distribution		(761)	(846)
Change in minority interest		(69)	14
Increase in long-term borrowings (including R441 million of preference shares issued)		1 946	3 784
		323	1 286
Net (decrease) increase in cash and cash equivalents		(546)	699
Cash and cash equivalents at beginning of year		(1 643)	(2 342)
Cash and cash equivalents at end of year	35e	(2 189)	(1 643)

Segmental information – balance sheet

At 25 June	Group 2007 Rm	Group 2006 Rm	Logistics 2007 Rm	Logistics 2006 Rm	Leasing and Capital Equipment 2007 Rm	Leasing and Capital Equipment 2006 Rm	Aviation 2007 Rm	Aviation 2006 Rm	Car Rental and Tourism 2007 Rm	Car Rental and Tourism 2006 Rm	Distributorships 2007 Rm	Distributorships 2006 Rm	Motor Vehicle Dealerships 2007 Rm	Motor Vehicle Dealerships 2006 Rm	Insurance 2007 Rm	Insurance 2006 Rm	Head office and eliminations 2007 Rm	Head office and eliminations 2006 Rm
BUSINESS SEGMENTATION																		
Assets																		
Intangible assets	1 238	945	441	342	60	57	122	118	401	308	53	28	164	84	9	8	(12)	
Investments, loans, associates and joint ventures	3 968	2 679	91	14	23	11	345	404	3	2	273	333	15	12	2 034	1 742	1 184	161
Property, plant and equipment	5 441	4 231	1 396	1 325	241	193	134	129	382	228	1 930	1 386	1 055	740	155	83	148	147
Transport fleet	2 789	2 570	2 861	2 663													(72)	(93)
Leasing assets	6 990	6 443			4 990	3 986	1 704	2 060			304	420					(8)	(23)
Vehicles for hire	1 012	896							1 021	896							(9)	
Other non-current financial assets	842	718													542	451	300	267
Inventories	9 436	7 535	92	177	938	293	573	624	528	425	5 308	4 371	2 102	1 780			(105)	(135)
Trade and other receivables	8 883	8 248	3 589	3 181	947	631	576	451	553	453	2 011	2 491	848	653	528	726	(169)	(338)
Cash in financial services businesses	914	732													914	732		
Operating assets	41 513	34 997	8 470	7 702	7 199	5 171	3 454	3 786	2 888	2 312	9 879	9 029	4 184	3 269	4 182	3 742	1 257	(14)
Deferred tax assets	450	426																
Loans to associates and other investments	1 557	1 131																
Taxation in advance	140	108																
Cash and cash equivalents	1 874	898																
Total assets per balance sheet	45 534	37 560																
Liabilities																		
Retirement benefit obligations	230	218	230	218														
Insurance and investment contracts	1 722	1 331													1 695	1 331	27	
Accounts payable and provisions	13 680	11 545	3 490	2 787	1 721	907	683	606	806	718	3 864	3 538	1 931	1 538	1 118	949	67	502
Other non-current financial liabilities	13	127			1										11		1	127
Non-interest-bearing liabilities	15 645	13 221	3 720	3 005	1 722	907	683	606	806	718	3 864	3 538	1 931	1 538	2 824	2 280	95	629
Non-redeemable, non-participating preference shares	441																	
Equity-settled interest-bearing borrowings of Lereko Mobility		794																
Interest-bearing borrowings	13 845	10 699																
Deferred tax liabilities	1 196	941																
Current tax liabilities	940	1 118																
Total liabilities per balance sheet	32 067	26 773																
GEOGRAPHIC SEGMENTATION																		
Operating assets	41 513	34 997	8 470	7 702	7 199	5 171	3 454	3 786	2 888	2 312	9 879	9 029	4 184	3 269	4 182	3 742	1 257	(14)
– South Africa	34 404	27 892	5 906	5 217	6 374	4 343	2 892	3 030	2 770	2 236	7 532	6 719	4 075	3 181	3 612	3 418	1 243	(252)
– Rest of Africa	1 257	913	197	149	323	354	3		93	54	72	69			570	324	(1)	(37)
– Rest of world	5 852	6 192	2 367	2 336	502	474	559	756	25	22	2 275	2 241	109	88			15	275
Non-interest-bearing liabilities	15 645	13 221	3 720	3 005	1 722	907	683	606	806	718	3 864	3 538	1 931	1 538	2 824	2 280	95	629
– South Africa	12 201	9 943	2 403	1 921	1 613	766	376	176	713	708	2 850	2 882	1 828	1 482	2 427	1 967	(9)	41
– Rest of Africa	599	474	56	43	55	90	4		59	10	28	19			397	313		(1)
– Rest of world	2 845	2 804	1 261	1 041	54	51	303	430	34		986	637	103	56			104	589
Interest-bearing borrowings	13 845	10 699	1 661	1 322	3 930	2 870	1 916	2 310	688	304	2 897	2 012	779	393			1 974	1 488
– South Africa	10 117	7 368	777	964	3 301	2 497	1 733	2 056	693	342	2 259	1 046	749	393			605	70
– Rest of Africa	401	33	77	9	249	49	(2)		(15)	(36)	91	(1)					1	12
– Rest of world	3 327	3 298	807	349	380	324	185	254	10	(2)	547	967	30				1 368	1 406
Gross capital expenditure	7 303	6 164	1 031	1 210	2 743	1 837	210	520	1 316	1 048	1 406	1 127	458	406	102	20	37	(4)
– South Africa	6 418	5 514	781	1 000	2 484	1 562	175	481	1 280	1 030	1 103	1 012	458	406	102	19	35	4
– Rest of Africa	145	139	58	40	62	87			23	18	1	2				1	1	(9)
– Rest of world	740	511	192	170	197	188	35	39	13		302	113					1	1
Gross capital expenditure	7 303	6 164	1 031	1 210	2 743	1 837	210	520	1 316	1 048	1 406	1 127	458	406	102	20	37	(4)
Less: proceeds on disposal	(3 479)	(2 398)	(292)	(318)	(806)	(627)	(453)	(214)	(758)	(680)	(941)	(441)	(176)	(92)	(11)	(25)	(42)	(1)
Net capital expenditure	3 824	3 766	739	892	1 937	1 210	(243)	306	558	368	465	686	282	314	91	(5)	(5)	(5)

Segmental information – income statement

For the years ended 25 June	Group 2007 Rm	Group 2006 Rm	Logistics 2007 Rm	Logistics 2006 Rm	Leasing and Capital Equipment 2007 Rm	Leasing and Capital Equipment 2006 Rm	Aviation 2007 Rm	Aviation 2006 Rm	Car Rental and Tourism 2007 Rm	Car Rental and Tourism 2006 Rm	Distributorships 2007 Rm	Distributorships 2006 Rm	Motor Vehicle Dealerships 2007 Rm	Motor Vehicle Dealerships 2006 Rm	Insurance 2007 Rm	Insurance 2006 Rm	Head office and eliminations 2007 Rm	Head office and eliminations 2006 Rm
BUSINESS SEGMENTATION																		
Revenue																		
– Sales of goods	40 138	32 438	982	684	1 638	688	1 623	1 279	1 693	1 491	19 073	14 756	15 129	13 540				
– Rendering of services	23 123	19 160	13 287	11 486	3 529	2 305	2 302	2 065	2 106	1 767	927	741	899	720	22	31	51	45
– Gross premiums received	2 953	2 442													2 953	2 442		
– Other		65		60				2						1		2		
	66 214	54 105	14 269	12 230	5 167	2 993	3 925	3 346	3 799	3 258	20 000	15 497	16 028	14 261	2 975	2 475	51	45
Inter-segment revenue			293	196	61	35		3	99	183	824	512	913	719	176	147	(2 366)	(1 795)
	66 214	54 105	14 562	12 426	5 228	3 028	3 925	3 349	3 898	3 441	20 824	16 009	16 941	14 980	3 151	2 622	(2 315)	(1 750)
Operating expenses	59 764	48 393	13 217	11 211	3 464	1 805	3 501	2 900	3 052	2 720	19 452	14 402	16 429	14 563	2 912	2 409	(2 263)	(1 617)
Investment income	(128)	(105)									(1)				(127)	(105)		
Fair value gains on investments	(367)	(273)			(4)										(362)	(273)	(1)	
Depreciation and amortisation	2 150	1 792	511	483	938	720	220	209	292	255	167	106	54	39	16	11	(48)	(31)
Recoupments	(229)	(160)	(35)	(31)	(35)	(37)	(120)	(40)	(14)	(41)	(45)	(2)		1	(1)	(9)	21	(1)
Operating profit	5 024	4 458	869	763	865	540	324	280	568	507	1 251	1 503	458	377	713	589	(24)	(101)
Foreign exchange (losses) gains	(28)	(138)	(3)		(11)	(34)	(10)	13	(1)		8	(113)			(13)		2	(4)
Fair value (losses) gains on foreign exchange derivatives	(11)	26		(1)	(9)	28	(2)	1				(3)						1
Fair value gains (losses) on other financial instruments	19	(74)															19	(74)
Profit before net financing costs and exceptional items	5 004	4 272	866	762	845	534	312	294	567	507	1 259	1 387	458	377	700	589	(3)	(178)
Net financing costs	(1 026)	(782)	(60)	(76)	(280)	(196)	(171)	(169)	(54)	(46)	(251)	(113)	(115)	(63)	10	3	(105)	(122)
Income from associates and joint ventures	327	282	14	2			89	49	1		(30)	33					253	198
Profit before taxation and exceptional items	4 305	3 772	820	688	565	338	230	174	514	461	978	1 307	343	314	710	592	145	(102)
GEOGRAPHIC SEGMENTATION																		
Revenue	66 214	54 105	14 562	12 426	5 228	3 028	3 925	3 349	3 898	3 441	20 824	16 009	16 941	14 980	3 151	2 622	(2 315)	(1 750)
– South Africa	49 811	43 068	7 650	7 014	4 649	2 482	2 701	2 496	3 431	3 161	14 459	12 393	16 402	14 748	2 837	2 387	(2 318)	(1 613)
– Rest of Africa	1 397	1 017	368	238	256	275	10		269	158	179	185			314	235	1	(74)
– Rest of World	15 006	10 020	6 544	5 174	323	271	1 214	853	198	122	6 186	3 431	539	232			2	(63)
Operating profit	5 024	4 458	869	763	865	540	324	280	568	507	1 251	1 503	458	377	713	589	(24)	(101)
– South Africa	4 373	4 089	594	540	784	461	259	264	526	475	1 155	1 542	447	375	624	521	(16)	(89)
– Rest of Africa	189	165	25	33	48	56	(1)		35	25	(7)	(3)			89	68		(14)
– Rest of world	462	204	250	190	33	23	66	16	7	7	103	(36)	11	2			(8)	2
Net financing costs	1 026	782	60	76	280	196	171	169	54	46	251	113	115	63	(10)	(3)	105	122
– South Africa	917	732	86	89	257	170	163	158	55	48	209	91	114	62	(10)	(3)	43	117
– Rest of Africa	31	24	8	4	18	19			(1)	(2)	6	4						(1)
– Rest of world	78	26	(34)	(17)	5	7	8	11			36	18	1	1			62	6

Notes to the group annual financial statements

1 Accounting policies

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

1.1 Basis of preparation

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

Insurance

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

Consolidation

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries. Subsidiary undertakings, which are those companies in which the group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated, except when the subsidiaries are held exclusively with a view to their subsequent disposal, which is highly probable, and are then accounted for as non-current assets held for sale. Where the group's interest in subsidiary undertakings is less than 100 percent, the share attributable to outside shareholders is reflected as minority interests. The accounts of subsidiary undertakings are generally drawn up at 25 June each year. Where audited accounts are not drawn up at this date, the latest audited accounts available are used.

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

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

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

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

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

Segment information

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

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

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

Foreign currencies

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

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

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

Transactions in currencies other than rands are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on translation are included in net profit or loss for the period, except where the item is a designated cash flow hedge, in such circumstances the gain or loss will be deferred in equity.

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

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

1.2 Investment in associates

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

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

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

Where a group entity transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate. Losses may provide evidence of a potential impairment of the investment, in which case appropriate provision is made for impairment.

1.3 Joint ventures

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

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

1.4 Goodwill

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

On disposal of a subsidiary, associate or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. Goodwill arising on acquisitions before adopting IFRS 3 – business combinations has been retained at the amounts restated at 26 June 2004. Goodwill written off to reserves under SA Generally Accepted Accounting Practice (GAAP) prior to 26 June 2000 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

1.5 Other intangible assets

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

1.6 Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss, or whether an impairment loss recognised in a previous period has reversed or decreased. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Notes to the group annual financial statements

Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

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

A reversal of an impairment loss is recognised only if there has been a change in the estimates used to determine the assets carrying amount. A reversal of an impairment loss is recognised in income immediately.

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

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

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

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

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

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

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

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Gains and losses on disposal are determined by reference to their carrying amount and are taken into account in determining operating profit.

1.8 Capitalised borrowing costs

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

1.9 Inventories

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

Vehicles and aircraft	Specific cost
Spares and accessories	Weighted average cost
Petrol and oil	First in, first out
Merchandise	First in, first out

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

1.10 Financial instruments

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

Equity and debt security instruments

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

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

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

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

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

Loans receivable

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

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

Trade and other receivables

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

Cash and cash equivalents

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

Loans payable

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

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

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

Where the group has the intention to repurchase its own interest-bearing loans in a recognised marketplace, such loans are designated as held for trade and are carried at fair value. Gains and losses arising from changes in fair value are included in the income statement for the period.

Trade payables
Trade payables are stated at their nominal value.

Derivative instruments
Derivative financial instruments are initially recognised at fair value, and subsequently measured at fair value. The group uses derivative financial instruments primarily relating to foreign currency protection and to alter interest rate profiles.

The group designates certain derivatives as hedging instruments. They are classified as:
- fair value hedge: a hedge of exposure to changes in fair value of recognised assets and liabilities;
- cash flow hedge: hedges a particular risk associated with a recognised asset or liability or a highly probable forecast transaction; and
- hedges of a net investment in a foreign operation.

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

Interest rate swap agreements can swap interest rates from either fixed to variable or from variable to fixed and are used to alter interest rate profiles.

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

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

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

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

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

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

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

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

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

The group as lessor
Finance leases
Amounts due under finance leases are treated as instalment credit agreements.

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

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

The group as lessee

Finance leases

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

Operating leases

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

1.12 Share-based payments

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

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

When the options are exercised or share awards vest the proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium.

1.13 Retirement benefit obligations

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

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

1.14 Provisions

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

Leave pay provision

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

Bonus provision

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

Warranty and after-sales services

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

Insurance claims

The group has short-term insurance, long-term insurance and reinsurance operations in which claim settlements are made on insurance policies. The group raises the necessary provisions based on the intermated claims and past experience.

Other provisions

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

1.15 Taxation

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

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

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

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

1.16 Revenue recognition

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

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

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

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

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

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

1.17 Interest and dividend income in financial services businesses

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

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

1.18 Government grants and assistance

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

When the conditions attaching to government grants have been complied with and the grants will be received, they are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs. When they are for expenses or losses already incurred, they are recognised in profit or loss immediately.

The unrecognised portion at the balance sheet date is presented as deferred income.

No value is recognised where the government provides general industry assistance.

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

1.19 Headline earnings

The group is an integrated transport and mobility group that, as part of its operations, sells vehicles and aircraft through its own outlets. As a result, profits and losses arising on the disposal of its leasing assets, transport fleet and vehicles for hire are items of a trading nature, rather than capital items. For this reason, the above items are not adjusted in the headline earnings calculations.

2 Significant accounting judgements and estimates

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

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

Impairment of assets

As outlined in the accounting policies, an impairment loss is recognised when the recoverable amount of an asset is estimated to be less than its carrying amount. In assessing value in use, future cash flows are discounted to their present value using a pre-tax discount rate. Management apply their best estimate of the range of economic conditions that will exist over the remaining useful life of an asset. While external evidence is favoured, management apply judgement in circumstances where external evidence is limited.

Residual values and useful lives

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

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

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

Income taxes

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

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

Contingent liabilities

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

Revenue recognition

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

Notes to the group annual financial statements

Balance sheet presentation based on liquidity

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

Lereko deconsolidation

Lereko Mobility (Pty) Ltd (Lereko), our 49% associate, was previously consolidated in full and is now treated as an associate.

The group provided vendor finance of R598 million to Lereko to facilitate raising R800 million in additional finance for its acquisition of 7,25% of Imperial's share capital. The redemption of the total finance provided for the transaction, some R1,4 billion, will be settled through the disposal by Lereko of part of its Imperial shares. The right to redemption of the vendor finance ranks behind all the other elements of finance for the transaction. Accordingly, due to the group's risk relating to the vendor finance, the board considered it appropriate at the time to consolidate the assets, liabilities and results of Lereko as if it were a subsidiary of the group, despite Imperial's minority interest of 49% in Lereko.

By October 2006, the Imperial share price had risen to a level where the risk was reduced sufficiently for the board to conclude that consolidation was no longer required. Accordingly, it was deconsolidated and treated as an associate from November 2006.

3 Impact of new issued standards and interpretations

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

IAS 1 – amendment to International Accounting Standard 1 – presentation of financial statements: capital disclosures

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

IAS 23 – borrowing costs

This standard has been amended to remove the option to expense borrowing costs incurred on qualifying assets.

The amendment should have no significant impact on the group's results, and first becomes applicable for the financial year ending 25 June 2009.

IFRS 7 – financial instruments: disclosures

The IFRS essentially combines IAS 30 – disclosure in the financial statements of banks and IAS 32 – financial Instruments: disclosure and presentation. The disclosure requirements under IAS 32 have been expanded to include sensitivity analyses as well as disclosure of classes of financial assets and liabilities.

The standard first becomes applicable to the group for the financial year ending 25 June 2008, and the impact on the group is expected to be limited to an extension of current disclosure.

IFRS 8 – operating segments

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

The standard first becomes applicable to the group for the financial year ending 25 June 2010, and is not expected to have any significant impact on the group.

IFRIC 10 – interim financial reporting

The interpretation addresses an apparent conflict between the requirements of IAS 34 – interim financial reporting and those in other standards on the recognition and reversal in financial statements of impairment losses on goodwill and certain financial assets. The interpretation concludes that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill, or an investment in either an equity instrument or a financial asset carried at cost.

The interpretation will have no significant impact on the group's results, and first becomes applicable for the financial year ending 25 June 2008.

IFRIC 11 – group and treasury share transactions

This interpretation addresses two issues. The first is whether the transactions should be accounted for as equity-settled or as cash-settled share-based payment arrangements, and the second where a share-based payment transaction involves two or more entities within the same group.

The interpretation will have no significant impact on the group's results, and first becomes applicable for the financial year ending 25 June 2008.

IFRIC 12 – service concession arrangements

The interpretation serves to clarify the treatment of arrangements whereby a government or other body grants contracts for the supply of public services – such as roads, energy distribution, prisons or hospitals – to private operators. The objective of this IFRIC is to clarify aspects of accounting for service concession arrangements.

The interpretation will have no impact on the group's results, and first becomes applicable for the financial year ending 25 June 2009.

IFRIC 13 – customer loyalty programmes

This interpretation addresses accounting by entities that grant loyalty awards to customers who buy other goods or services. The interpretation deals with the accounting treatment of the obligations to provide free or discounted goods or services granted under such a programme.

The interpretation will have no impact on the group's results, and first becomes applicable for the financial year ending 25 June 2010.

IFRIC 14 – the limit on a defined benefit asset, minimum funding requirements and their interaction

When determining the limit on a defined benefit asset in accordance with IAS 19 – employee benefits, under IFRIC 14 entities are required to measure any economic benefits available to them in the form of refunds or reductions in future contributions at the maximum amount that is consistent with the terms and conditions of the plan and any statutory requirements in the jurisdiction of the plan.

The interpretation should have no significant impact on the group's results, and first becomes applicable for the financial year ending 25 June 2009.

Circular 8/2007 – headline earnings

This circular provides rules for calculating headline earnings by accounting standard. In addition this circular requires a detailed disclosure reconciling the headline earnings to the earnings applied in the earnings per share calculation.

Specific departures from the old formula are as follows:

- Not all gains or losses on the closure, sale or termination of a business will automatically be excluded from headline earnings.
- A new approach is required for the recognition of a deferred tax asset of the acquiree, following a business combination.
- Additional adjustments for any linked unit (where a share and debenture trade as a linked unit).
- A new specific banking industry rule for re-measurements relating to private equity activities (associates or joint ventures) regarded as operating/trading activities, per the circular.

This circular will broaden the scope of disclosure for the entity and may have an impact on the headline earnings reported by the group, because gains or losses on the sale of the group's fleets, which have been included in our headline earnings per share calculation, may now be specifically excluded. This circular becomes applicable for the year ending 25 June 2008.

Notes to the group annual financial statements

	Goodwill Rm	Computer software Rm	Other Rm	Total Rm
4 Intangible assets				
Year ended 25 June 2007				
– Cost	1 287	193	102	1 582
– Accumulated impairment and amortisation	157	165	22	344
	1 130	28	80	1 238
Net book value at beginning of year	887	30	28	945
Net acquisition of subsidiaries and businesses	254	1	41	296
Additions		22	15	37
Disposals		(3)	(1)	(4)
Impairment cost	(14)			(14)
Amortisation		(22)	(2)	(24)
Currency adjustments	3		(1)	2
Net book value at end of year	1 130	28	80	1 238
Year ended 25 June 2006				
– Cost	1 030	168	48	1 246
– Accumulated impairment and amortisation	143	138	20	301
	887	30	28	945
Net book value at beginning of year	588	29	5	622
Net acquisition of subsidiaries and businesses	288	2		290
Additions		20	26	46
Impairment cost	(43)			(43)
Amortisation		(22)	(2)	(24)
Currency adjustments	54	1	(1)	54
Net book value at end of year	887	30	28	945

Goodwill impairment testing

Goodwill is allocated to cash generating units (CGUs) that are measured individually for the purposes of impairment testing. A CGU represents the business operation from which goodwill was originally generated. The recoverable amount of a CGU is determined either on the value in use, or the fair value less costs to sell method.

Value in use

Value in use is calculated using discounted cash flows. Cash flow projections are based on three- to five-year budgeted information approved by senior management. Cash flows beyond the initial period are extrapolated using average growth rates. Discount and growth rates are used that are relevant to the particular industry and geographic location in which a CGU operates.

Fair value less costs

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

As a result of this process the value in use of certain CGUs was lower than the carrying value and this required an impairment of R14 million (2006: R43 million).

CGUs that are significant in relation to the group's total goodwill carrying amount are outlined below. These amounts were tested for impairment and no impairment was required.

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

Significant cash generating unit (CGUs)	Goodwill carrying amount 2007 Rm	Basis for determining recoverable amount	Discount rate applied to cash flow	Growth rate used to extrapolate cash flow
Imperial Reederei GmbH	222	Value in use	11,2%	2%
Tourism Investment Corporation Ltd	138	Fair value		

	2007 Rm	2006 Rm
5 Investments in associates and joint ventures		
Unlisted shares at cost	535	341
Share of post-acquisition reserves (net of impairments)	910	710
Goodwill written off	(22)	(22)
Carrying value of shares	1 423	1 029
Indebtedness by associates and joint ventures	640	573
Call option (Lereko Mobility)	669	
	2 732	1 602
Valuation of shares		
Unlisted shares at directors' valuation	1 423	1 029

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

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

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

	Analysis of joint ventures			
	Safair Lease Finance Rm	Other Rm	2007 Rm	2006 Rm
INCOME STATEMENTS				
Revenue	223	238	461	405
Profit before net financing costs	200	43	243	172
Net finance cost	(92)	(16)	(108)	(108)
Profit before taxation	108	27	135	64
Income tax expense	(33)	(7)	(40)	(19)
Net profit for the year	75	20	95	45
BALANCE SHEETS				
Total assets	1 217	509	1 726	1 758
Capital and reserves, including minorities	(243)	40	(203)	(297)
Interest-bearing borrowings	803	276	1 079	1 014
Non-interest-bearing liabilities	657	193	850	1 041
Total equity and liabilities	1 217	509	1 726	1 758

	Analysis of associates			
	Imperial Bank Rm	Other Rm	2007 Rm	2006 Rm
INCOME STATEMENTS				
Revenue	667	2 444	3 111	3 350
Profit before net financing costs	297	46	343	313
Net finance cost	(13)	(44)	(57)	(21)
Income from associates		36	36	21
Profit before taxation	284	38	322	313
Income tax expense	(81)	(9)	(90)	(76)
Net profit for the year	203	29	232	237
BALANCE SHEETS				
Total assets	16 968	1 968	18 936	14 024
Capital and reserves, including minorities	1 052	335	1 387	1 173
Interest-bearing borrowings	15 723	900	16 623	11 975
Non-interest-bearing liabilities	193	733	926	876
Total equity and liabilities	16 968	1 968	18 936	14 024

Notes to the group annual financial statements

	Land, buildings and leasehold improvements Rm	Equipment and furniture Rm	Motor vehicles Rm	Total Rm
6 Property, plant and equipment				
Year ended 25 June 2007				
– Cost	4 694	2 450	435	7 579
– Accumulated depreciation and impairment	522	1 425	191	2 138
	4 172	1 025	244	5 441
Net book value at beginning of year	3 203	828	200	4 231
Net acquisition of subsidiaries and businesses	78	38	11	127
Additions	1 307	471	170	1 948
Disposals	(487)	(61)	(80)	(628)
Depreciation	(53)	(267)	(62)	(382)
Impairment reversed	3	1		4
Profit (loss) on disposal	58	(3)	3	58
Currency adjustments	63	18	2	83
Net book value at end of year	4 172	1 025	244	5 441
Year ended 25 June 2006				
– Cost	3 767	2 283	362	6 412
– Accumulated depreciation and impairment	564	1 455	162	2 181
	3 203	828	200	4 231
Net book value at beginning of year	2 036	616	129	2 781
Net acquisition of subsidiaries and businesses	272	80	23	375
Additions	942	332	122	1 396
Disposals	(130)	(33)	(49)	(212)
Depreciation	(53)	(198)	(38)	(289)
Impairment costs	(4)	(6)		(10)
Profit (loss) on disposal	13	(3)	2	12
Currency adjustments	127	40	11	178
Net book value at end of year	3 203	828	200	4 231

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

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

	2007 Rm	2006 Rm
The total value of property, plant and equipment held under capitalised finance leases included above	84	40
7 Transport fleet		
Cost	4 661	4 356
Accumulated depreciation and impairment	1 872	1 786
	2 789	2 570
Net book value at beginning of year	2 570	2 449
Net disposal of subsidiaries and businesses	(37)	(166)
Additions	752	846
Disposals	(185)	(277)
Depreciation	(344)	(335)
Impairment costs	(1)	(2)
Profit on disposal	21	19
Currency adjustments	13	36
Net book value at end of year	2 789	2 570
The total value of transport assets held under capitalised finance leases included above	8	12

Certain transport fleet assets have been encumbered as security for interest-bearing borrowings (note 22).

	Aviation leasing fleet Rm	Leasing and capital equipment Forklifts Rm	Vehicles Rm	Earth-moving Rm	Distributorship vehicles Rm	Total Rm
8 Leasing assets						
Year ended 25 June 2007						
– Cost	2 190	1 389	3 447	1 964	347	9 337
– Accumulated depreciation and impairment	490	329	912	573	43	2 347
	1 700	1 060	2 535	1 391	304	6 990
Net book value at beginning of year	2 038	994	2 293	698	420	6 443
Additions	181	577	1 136	898	708	3 500
Disposals	(449)	(266)	(449)	(34)	(751)	(1 949)
Depreciation	(180)	(268)	(467)	(174)	(72)	(1 161)
Impairment costs	(22)*		(2)			(24)
Profit on disposal	120		27	2		149
Currency adjustments	12	23	(3)	1	(1)	32
Net book value at end of year	1 700	1 060	2 535	1 391	304	6 990

*Three aircraft have been impaired to fair value less cost to sell. Value in use is not appropriate as it is our intention to sell these aircraft in the foreseeable future.

Year ended 25 June 2006						
– Cost	2 516	1 181	3 076	1 165	465	8 403
– Accumulated depreciation and impairment	478	187	783	467	45	1 960
	2 038	994	2 293	698	420	6 443
Net book value at beginning of year	1 883	947	2 017		227	5 074
Net acquisition of subsidiaries and businesses				486		486
Additions	502	492	966	289	694	2 943
Disposals	(185)	(282)	(324)	(15)	(433)	(1 239)
Depreciation	(190)	(228)	(407)	(67)	(53)	(945)
Impairment costs					(11)	(11)
Profit on disposal	49		31	5	2	87
Currency adjustments	(21)	65	10		(6)	48
Net book value at end of year	2 038	994	2 293	698	420	6 443

Certain leasing assets have been encumbered as security for interest-bearing borrowings (note 22).

	2007 Rm	2006 Rm
The total value of leasing assets held under capitalised finance leases included above	78	438
9 Vehicles for hire		
Cost	1 234	1 107
Accumulated depreciation	222	211
	1 012	896
Net book value at beginning of year	896	790
Acquisition of subsidiaries and businesses	1	
Additions	1 066	933
Disposals	(713)	(670)
Depreciation	(239)	(199)
Profit on disposal	1	42
Net book value at end of year	1 012	896

Certain vehicles for hire have been encumbered as security for interest-bearing borrowings (note 22).

Notes to the group annual financial statements

	2007 Rm	2006 Rm
10 Deferred taxation		
Movement of deferred tax assets and liabilities		
Balance at beginning of year	515	356
Transferred this year	239	146
Under provisions in prior years	14	3
Capital gains	17	5
Arising on acquisitions and disposals	(35)	19
Currency adjustments	(4)	(14)
	746	515
Analysis of deferred tax assets and liabilities		
– Property, plant and equipment	18	5
– Transport fleet	398	388
– Leasing assets	804	715
– Vehicles for hire	58	34
– Inventories	(19)	(58)
– Taxation losses	(180)	(288)
– Provisions	(335)	(231)
– Capital gains	97	138
– Other	(95)	(188)
	746	515
Deferred tax comprises		
– Assets	(450)	(426)
– Liabilities	1 196	941
	746	515
Unused tax losses available for offset against future profits	(1 017)	(1 268)
Deferred tax asset recognised in respect of such losses	621	993
Remaining tax losses not recognised as deferred tax assets due to unpredictability of future profit streams	(396)	(275)
11 Other investments and loans		
Investments		
Listed at market value	1 656	1 479
Unlisted at fair value	220	171
	1 876	1 650
The above are categorised as follows:		
– Held for trading	1 868	1 479
– Available for sale	8	171
	1 876	1 650
A schedule of investments is available for inspection by members or their authorised agents at the registered office of the company.		
Loans		
Share incentive trust receivables	605	454
Other loans	312	104
	917	558
Total other investments and loans	2 793	2 208
Maturity analysis of share incentive trust receivables		
– Maturing after one year but within five years	582	429
– Maturing after five years	23	25
	605	454

	2007 Rm	2006 Rm
11 Other investments and loans (continued)		
Maturity analysis of other loans		
– Maturing within one year	60	80
– Maturing after one year but within five years	121	13
– Maturing after five years	131	11
	312	104
Maturity analysis of total loans		
– Maturing within one year	60	80
– Maturing after one year but within five years	703	442
– Maturing after five years	154	36
	917	558
Effective interest rates		
Share incentive trust receivables	9,6% – 10,5%	8,0%
Other loans	5,0% – 14,0%	5,5% – 16,5%
12 Other non-current financial assets		
Reinsurance debtors	542	451
Cross-currency swap instruments	300	267
	842	718
13 Inventories		
New vehicles	4 727	4 010
Used vehicles	2 230	1 754
New and used aircraft	57	110
New and used capital equipment	409	
Spares, accessories and finished goods	1 574	1 188
Petrol and oil	68	60
Merchandise	263	346
Work in progress	108	67
	9 436	7 535
Inventories carried at net realisable value included above	4 663	3 015
Net amount of inventory write down expensed in the income statement	65	24
Certain inventories has been encumbered as security for interest-bearing borrowings (note 22).		
14 Trade and other receivables		
Trade	8 663	7 306
Prepayments and other	219	218
Derivatives at fair value	1	724
	8 883	8 248
15 Cash resources		
Deposits and funds at call	1 139	893
Cash on hand and at bank	1 649	737
	2 788	1 630
Effective interest rates	3,25% – 8,5%	3,0% – 6,75%

Notes to the group annual financial statements

	2007 Rm	2006 Rm
16 Share capital and premium		
Authorised share capital		
394 999 000 (2006: 434 999 000) ordinary shares of 4 cents each	15	17
50 000 000 (2006: 50 000 000) deferred ordinary shares of 4 cents each	2	2
15 000 000 (2006: 15 000 000) preferred ordinary shares of 4 cents each	1	1
1 000 (2006: 1 000) redeemable preference shares of 4 cents each		
40 000 000 (2006: nil) non-redeemable, non-participating preference shares of 4 cents each	2	
	20	20
Issued share capital		
209 617 979 (2006: 207 896 450) ordinary shares of 4 cents each	8	8
19 293 859 (2006: 21 015 388) deferred ordinary shares of 4 cents each	1	1
14 516 617 (2006: 14 516 617) preferred ordinary shares of 4 cents each	1	1
4 540 041 (2006: nil) non-redeemable, non-participating preference shares of 4 cents each (see note 19)		
	10	10
Share premium	866	1 752
	876	1 762

Deferred ordinary shares

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

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

The salient features of the conversion are:

During the first seven years:

- Base headline earnings hurdles have been set for the first seven financial years commencing at R1 634 million in June 2004 and increasing annually at a compound growth rate of 13%.
- A portion of earnings in excess of the base headline earnings hurdles would equate to the notional value that is attributed to Ukhamba Holdings, the holders of the deferred ordinary shares.
- The portion attributable to Ukhamba will be calculated as follows:
  Earnings within a 13% to 15% growth rate on the previous years' base headline earnings hurdle: 25% attributed to Ukhamba.
  Earnings within a 15% to 17% growth rate on the previous years' base headline earnings hurdle: 50% attributed to Ukhamba.
  Earnings in excess of 17% growth rate on the previous years' base headline earnings hurdle: 75% attributed to Ukhamba.
- At the end of each financial year, the amount calculated as value attributed to Ukhamba will be translated into a number of ordinary shares based on a five-month volume-weighted average share price.
- It will be this number of shares that will become ordinary shares on an annual basis.
- The maximum number of deferred ordinary shares that can convert in any one year is 2,5% of the weighted number of ordinary shares in issue.
- Earnings within a 10% to 13% growth rate will give rise to a minimum of 1-million ordinary shares being converted.

During the next seven years:

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

Thereafter:

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

To the end of the current financial year 3 461 530 deferred ordinary shares (2006: 1 740 001) were converted into ordinary shares. After the financial year end a further 2 511 891 deferred ordinary shares (2006: 1 721 529) were converted into ordinary shares, and were listed on the JSE.

Preferred ordinary shares

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

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

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

16 Share capital and premium (continued)

	Number of shares 2007	2006
Share scheme details are as follows:		
Imperial Holdings share incentive trust		
The number of ordinary shares authorised	6 000 000	6 000 000
Shares allocated at beginning of year	4 965 100	4 901 500
Shares allocated during the year	75 000	63 600
Shares allocated at end of year	5 040 100	4 965 100
Ordinary shares still available to the trust	959 900	1 034 900
Imperial executive purchase scheme		
The number of ordinary shares authorised	4 500 000	4 500 000
Shares allocated at beginning of year	3 232 300	3 232 300
Shares allocated during the year	1 236 700	
Shares sold during the year	(537 000)	
Shares allocated at end of year	3 932 000	3 232 300
Ordinary shares still available to the trust	568 000	1 267 700

	2007		2006	
	Number of shares	Weighted average exercise price R	Number of shares	Weighted average exercise price R
Share option scheme				
Total ordinary shares authorised	9 500 000		9 500 000	
Less: options exercised	6 623 467		6 516 067	
	2 876 533		2 983 933	
Options granted at beginning of year	560 650	41,14	890 450	42,33
Options exercised during the year	(107 400)	39,11	(280 200)	45,12
Options forfeited during the year	(193 200)	40,81	(49 600)	34,02
Unexercised options at end of year	260 050	42,22	560 650	41,14
Ordinary shares still available under the scheme	2 616 483		2 423 283	
Imperial Holdings share purchase scheme				
Options granted at beginning of year	849 500	57,28	1 653 500	54,52
Options exercised during the year	(65 000)	51,43	(754 000)	51,46
Options forfeited during the year	(22 000)	68,68	(50 000)	55,13
Unexercised options at the end of year	762 500	57,51	849 500	57,28
Imperial bonus rights scheme				
The number of ordinary shares authorised	900 000		900 000	
Options granted at beginning of year	685 100	100,78	685 100	100,78
Options granted during the year				
Options forfeited during the year	(47 600)	100,78		
Unexercised options at end of year	637 500		685 100	
Ordinary shares still available under the scheme	262 500		214 900	

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

Grant date	No of options	Average price R	Expiry date
July 1997 to June 1998	1 500	60,00	July 2007 to June 2008
July 1998 to June 1999	235 550	40,80	July 2008 to June 2009
July 1999 to June 2000	23 000	56,62	July 2009 to June 2010
Total unexercised options at end of year	260 050		
Total weighted average price		42,31	

Share purchase scheme – details of unexercised options by year of grant

Grant date	No of options	Average price R	Expiry date
July 2002 to June 2003	366 000	52,81	July 2007 to August 2007
July 2003 to June 2004	396 500	61,85	August 2007 to August 2008
Total unexercised options at end of year	762 500		
Total weighted average price		57,51	

Bonus rights scheme – details of shares by year of grant

Grant date	No of options	Average price R	Expiry date
July 2005	637 500	100,78	June 2009

Notes to the group annual financial statements

Director	2007 Number of shares Beneficial	2007 Number of shares Non-beneficial	2006 Number of shares Beneficial	2006 Number of shares Non-beneficial
Directors' interests in issued share capital				
At year-end the aggregate shareholdings of the directors in the issued ordinary share capital of the company were as detailed below.				
Non-executive				
L Boyd	928		928	
PL Erasmus				13 065
MJ Leeming		928		928
WG Lynch	9 540 348		9 540 348	
VJ Mokoena	35 000		25 000	
CE Scott	245 169		403 015	
RJA Sparks	40 000		27 825	
Y Waja	927		927	
	9 862 372	928	9 998 043	13 993
Executive				
OS Arbee#	150 000		75 000	
R J Boëttger*			119 275	
HR Brody~	150 000		75 000	
M P de Canha	813 354		684 027	
R L Hiemstra	182 221		184 815	
WS Hill~	150 000		75 000	
N Hoosen#	159 500		84 500	
A H Mahomed	306 509	4 444	201 509	6 599
	1 911 584	4 444	1 499 126	6 599
	11 773 956	5 372	11 497 169	20 592

#Appointed July 2007
~Appointed August 2006
*No longer a director at year end.

As a result of implementation of the Lereko Mobility BEE transaction PS Molefe and MV Moosa each acquired a beneficial interest in 1 331 145 (2006: 1 422 948) preferred ordinary shares.

	2007 Rm	2006 Rm
17 Shares repurchased and consolidated shares		
Shares in Imperial Holdings Limited		
22 883 341 (2006: 20 252 955) ordinary shares at an average of R85,43 (2006: R86,04) each	(1 955)	(1 743)
Nil (2006: 14 516 617) preferred ordinary shares previously consolidated		(754)
	(1 955)	(2 497)
18a Other reserves		
Share-based payment reserve	3	69
Hedging reserve	46	615
Statutory reserves	303	240
Translation reserve	490	348
Valuation reserve	361	
	1 203	1 272

Refer to the statement of changes in equity, on page 78, for detailed analysis of movements in other reserves.

In arriving at the fair values included in share-based payment reserves they were calculated as follows:

The fair values were calculated using the Black Scholes pricing model. The inputs into the model established at grant dates and which have not changed were are follows:

Share purchase scheme	
Volatility (%)	10,43
Weighted average share price (Rand)	58,12
Weighted average exercise price (Rand)	58,12
Expected life (years)	4
Average risk-free rate (%)	6,69
Expected dividend yield (%)	4,33
Bonus rights scheme	
Volatility (%)	25,00
Weighted average share price (Rand)	123,50
Weighted average exercise price (Rand)	100,78
Expected life (years)	3,57
Average risk-free rate (%)	7,39
Expected dividend yield (%)	3,30

The volatilities were determined by calculating the historical volatility of the company's share price over the previous five years. The expected life is determined by the rules of the schemes, which dictate the expiry date.

	2007 Rm	2006 Rm
18a Other reserves (continued)		
Lereko transaction		
Imperial entered into a BEE transaction with Lereko Mobility. The substance of this transaction was to grant the Lereko consortium a call option over the delivery of a variable number of shares on 15 June 2015. This would be determined by the amount by which the value of 14 516 617 Imperial Holding Limited ordinary shares exceeded the settlement of the funding.		
The Monte Carlo simulation method was used to value this call option, evaluating 100 000 potential outcomes for the call option granted on 15 June 2005 and vesting on 15 June 2015. The start price was R96,85.		
The current financial year's cost raised in the income statement is detailed in note 28.		
18b Translation reserve		
Opening balance at beginning of year	348	83
Movements in translation reserves		
Intangible assets	2	54
Investments, loans, associates and joint ventures	(4)	47
Property, plant and equipment	83	178
Transport fleet	13	36
Leasing assets	32	48
Deferred taxation	4	14
Inventories	75	205
Current taxation	(7)	(10)
Trade and other receivables	104	335
Cash resources	51	160
Minorities	(1)	(18)
Retirement benefit obligations	(9)	(24)
Interest-bearing borrowings	(56)	(394)
Liabilities under insurance contracts	7	(4)
Provisions for liabilities and charges	(14)	(36)
Trade and other payables	(138)	(326)
Closing balance at end of year	490	348
19 Non-redeemable, non-participating preference shares		
Non-redeemable, non-participating preference shares	441	
4 540 041 preference shares were issued during the financial year and are listed on the JSE under specialist securities – preference shares sector.		
These shares are entitled to a preference dividend being 75% of the prime interest rate. The company is obligated to pay any arrear dividends within five years from the proceeds raised by issuing new ordinary shares within six months prior to such payment. Because of the cumulative nature of these preference shares they are classified as debt with no repayment terms.		
20 Equity-settled interest-bearing borrowings of Lereko Mobility		
Debentures		405
Redeemable preference shares		354
Accrued dividends and interest		35
		794

Lereko Mobility is a BEE shareholder in Imperial Holdings Limited with 49%.

Lereko Mobility raised funding to acquire 14 516 617 preferred ordinary shares in Imperial Holdings Limited. At the inception of the transaction, because the group retained significant residual risk in the funding structure of Lereko Mobility, the directors considered it appropriate to consolidate it as a wholly owned subsidiary.

With the increase in the Imperial share price the equity in Lereko Mobility has risen to a level that reduced the significant risk that the group had in the funding structure. This means that Lereko Mobility no longer needs to be consolidated and with effect from 26 October 2006 is treated as an associate.

Notes to the group annual financial statements

	2007 Rm	2006 Rm
21 Retirement benefit obligations		
Defined contribution plans		
The group provides retirement benefits through independent funds under the control of trustees and all contributions to those funds are charged to the income statement. The large majority of South African employees, other than those employees required by legislation to be members of various industry funds, are members of the Imperial Group Pension Fund and the Imperial Group Provident Fund, which is governed by the Pensions Funds Act, 1956.		
Total cost charged to the income statement	329	298

Defined benefit plans

Imperial Logistics International GmbH, a subsidiary located in Germany, operates a number of unfunded defined benefit plans for its employees in Europe. Under the plans the employees are entitled to retirement benefits that are dependent on seniority, length of service and level of pay.

The benefit obligations in Europe are provided for based on actuarial valuations prepared using the projected unit credit method, with the following assumptions:

	2007 Rm	2006 Rm
– Discount rate	4,50%	4,25%
– Projected pension payment increase	1,75%	1,75%
– Projected salary and other contribution increase	2,00%	2,00%
– Fluctuation rate (depends on the age of male and female)	0% – 8,00%	0% – 8,00%
The latest actuarial valuation was performed on 8 May 2007. In the opinion of the actuary, the provision for the defined benefit obligations is adequate. The next valuation will be conducted in May 2008.		
The amounts, included in staff costs, recognised in the income statement in respect of the plans are as follows:		
Current service cost	5	4
Past service cost	(3)	
Interest costs	10	9
	12	13
The amounts included in the balance sheet arising from the group's obligations are as follows:		
Present value of unfunded obligations	230	218
Movements in the liability in the current year were as follows:		
Balance at beginning of year	218	190
Acquisition of subsidiary		4
Payments to retired employees	(9)	(13)
Currency adjustments	9	24
Amounts charged to income	12	13
Balance at end of year	230	218
22 Interest-bearing borrowings		
Long-term		
– Loans secured by mortgage bonds over fixed property	31	42
– Liabilities under capitalised finance leases	219	270
– Instalment sale creditors secured by leasing assets	302	261
– Corporate bonds	8 205	6 117
Listed on the Bond Exchange of South Africa		
- Held at fair value – IPL 2	1 272	1 310
- Held at fair value – ICL 2	504	
- Held at amortised cost – IPL 3	1 006	1 005
- Held at amortised cost – IPL 4	1 524	
- Held at amortised cost – ICL 1	1 029	1 029
Listed on the gilt-edged and fixed-interest market of the London Stock Exchange		
- Held at amortised cost – Eurobond	1 445	1 388
- Held at fair value – Eurobond	1 425	1 385
– Unsecured loans	111	736
	8 868	7 426

	2007 Rm	2006 Rm
22 Interest-bearing borrowings (continued)		
Short-term		
– Unsecured loans, call borrowings and bank overdrafts	2 824	1 072
– Commercial paper	2 153	2 201
	4 977	3 273
Total borrowings	13 845	10 699
Less: current portion of interest-bearing borrowings	6 449	3 916
Long-term borrowings	7 396	6 783

Interest rate analysis	Effective rates		
Fixed			
– Mortgage bonds, capitalised finance leases and instalment sale creditors	5,0 % – 15,0 %	157	200
– Capitalised finance leases	16,0%	89	89
– Corporate bonds – IPL 2	9,8%	845	873
– Corporate bonds – IPL 3	10,1%	1 006	1 005
– Corporate bonds – IPL 4	9,0%	1 524	
– Corporate bonds – ICL1	8,5%	1 029	1 029
– Eurobond	4,9%	1 445	1 388
– Unsecured loans	4,0% – 6,0%	47	77
– Unsecured loans	7,0% – 10,0%	102	73
– Commercial paper	9,4%	2 153	2 201
Variable linked			
– Mortgage bonds, capitalised finance leases and instalment sale creditors	10,0% – 13,0%	306	284
– Corporate bond – IPL 2	9,8%	427	437
– Corporate bond – ICL 2	9,6%	504	
– Eurobond	9,0%	1 425	1 385
– Unsecured loans	5,0% – 9,0%	21	26
– Unsecured loans	10,0% – 13,0%	75	298
– Unsecured loans	7,0% – 10,0%	252	382
– Call borrowings	9,6%	2 431	945
– Bank overdrafts	3,5% – 5,0%	7	7
		13 845	10 699

See note 40 for interest rate swap arrangements.

Capitalised finance leases	More than five years Rm	One to five years Rm	Less than one year Rm	2007 Rm	2006 Rm
Total minimum lease payments	210	91	89	390	388
Less: amounts representing finance charges	102	49	20	171	118
Present value of minimum lease payments	108	42	69	219	270

Summary of long-term borrowings by currency and year of redemption or repayment	2012 and onwards Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm	Total 2007 Rm	2006 Rm
SA rand	2 145	2 070	81	125	6 030	10 451	7 262
British pound	26		1	2	70	99	5
Euro	2 895	15	17	16	71	3 014	2 964
Australian dollar					252	252	329
Other			1	2	26	29	139
	5 066	2 085	100	145	6 449	13 845	10 699

Notes to the group annual financial statements

	Debt secured		Net book value of assets encumbered	
Details of encumbered assets	2007 Rm	2006 Rm	2007 Rm	2006 Rm
22 Interest-bearing borrowings (continued)				
Property, plant and equipment	31	42	77	90
Transport fleet	791	651	1 090	894
Leasing assets	1 328	765	1 928	1 167
Vehicles for hire	554	488	901	763
Inventories	252		259	
	2 956	1 946	4 255	2 914

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

Borrowing facilities	2007 Rm	2006 Rm
Total facilities established	14 515	10 639
Less: utilised for guarantees and letters of credit	43	623
	14 472	10 016
Less: total borrowings, excluding commercial paper issues and corporate bonds	3 487	2 381
Unutilised borrowing capacity	10 985	7 635

In terms of the Articles of Association the borrowing powers of the group are unlimited.

	2007 Rm	2006 Rm
23 Insurance and investment contracts		
Long-term insurance and investment funds	930	781
Short-term insurance funds	776	537
Reinsurance funds	16	13
	1 722	1 331
See Annexure C for further details.		
24 Other non-current financial liabilities		
Fair value of derivatives	13	
Embedded derivative financial instrument		127
	13	127

25 Provisions for liabilities and other charges

	Leave pay Rm	Bonuses Rm	Warranty and after-sales Rm	Insurance claims Rm	Other Rm	Total Rm
Year ended 25 June 2007						
Balance at beginning of year	242	156	37	170	320	925
Amounts added	212	179	15	197	192	795
Unused amounts reversed	(5)	(11)	(4)	(19)	(23)	(62)
Charged to income	207	168	11	178	169	733
Amounts utilised	(177)	(138)	(15)	(130)	(92)	(552)
Net acquisition of subsidiaries and businesses	3	5	21		5	34
Currency adjustments	4	1			9	14
Balance at end of year	279	192	54	218	411	1 154
Payable in less than one year						1 066
Payable in one to five years						48
Payable in more than five years						40
						1 154

	Leave pay Rm	Bonuses Rm	Warranty and after-sales Rm	Insurance claims Rm	Other Rm	Total Rm
25 Provisions for liabilities and other charges (continued)						
Year ended 25 June 2006						
Balance at beginning of year	188	119	84	116	200	707
Amounts added	188	135	42	167	137	669
Unused amounts reversed	(12)	(3)	(7)	(1)	(32)	(55)
Charged to income	176	132	35	166	105	614
Amounts utilised	(131)	(102)	(82)	(115)	(60)	(490)
Net acquisition of subsidiaries and businesses	(1)	6		3	50	58
Currency adjustments	10	1			25	36
Balance at end of year	242	156	37	170	320	925
Payable in less than one year						705
Payable in one to five years						106
Payable in more than five years						114
						925

	2007 Rm	2006 Rm
26 Trade and other payables		
Trade payables and accruals	11 311	9 756
Deferred income	1 122	836
Fair value of derivatives	93	28
	12 526	10 620
27 Revenue		
27.1 An analysis of the group's revenue is as follows:		
Sales of goods	40 138	32 438
Rendering of services	23 123	19 160
Gross premiums received	2 953	2 442
Other		65
	66 214	54 105
Revenue includes:		
27.2 Intergroup revenue received by subsidiaries from the group's associates, joint ventures and pension and provident funds		
Sales of goods	185	185
Rendering of services	94	143
Gross premiums received	30	165
	309	493
Intergroup revenue eliminated from group revenue:		
27.3 Revenue between subsidiaries		
Sales of goods	1 458	1 059
Rendering of services	798	616
Gross premiums received	170	144
	2 426	1 819

Notes to the group annual financial statements

	Note	2007 Rm	2006 Rm
28 Net operating expenses			
Purchase of goods		36 462	30 682
Changes in inventories, before net acquisition of subsidiaries and businesses		(1 328)	(1 423)
Cost of outside services		9 373	7 238
Reinsurance, claims and premium costs		2 627	2 130
Financial services – interest paid	31	9	7
Staff costs		7 356	5 755
Staff share-based payments		9	5
Other operating income		(783)	(665)
Other operating costs		5 544	4 286
		59 269	48 015
The above costs include:			
Auditors' remuneration			
Audit fees		47	42
Consulting services		9	6
		56	48
Rental and operating lease charges*			
Property		576	479
Plant and equipment		52	58
Vehicles		28	20
Aviation fleet		36	37
Transport fleet		57	55
Other		18	11
		767	660
Additional lease charges contingent upon turnover			
Property		26	23
*Prior year has been restated to reflect categories not previously included.			
Net operating expenses include:			
Investment income		(128)	(105)
Fair value gains on investments		(367)	(273)
Impairment of property, plant and equipment, transport fleet and leasing assets		21	23
Consultancy and other technical fees		59	24
29 Depreciation, amortisation and recoupments			
Intangible assets		24	24
Property, plant and equipment		382	289
Transport fleet		344	335
Leasing assets		1 161	945
Vehicles for hire		239	199
		2 150	1 792
Profit on disposal of property, plant and equipment		(58)	(12)
Profit on disposal of transport fleet		(21)	(19)
Profit on disposal of leasing assets		(149)	(87)
Profit on disposal of vehicles for hire		(1)	(42)
		1 921	1 632
30 Exceptional items			
Impairment of goodwill		(14)	(43)
Profit (loss) on disposal of investments in subsidiaries, associates and joint ventures		39	(10)
Loss on closure of business		(15)	
		10	(53)
Attributable to minorities		(4)	6
Attributable to Imperial Holdings shareholders		6	(47)
31 Financing			
Non-financial services businesses			
Interest paid		1 274	914
Capitalised to property, plant and equipment		(13)	(4)
Foreign exchange loss on monetary items		60	284
Fair value gains arising from interest-bearing borrowings and interest-swap instruments		(63)	(310)
Finance cost including fair value gains and losses		1 258	884
Finance income		(232)	(102)
Net financing cost		1 026	782

	2007 Rm	2006 Rm
31 Financing (continued)		
Analysis of financial services businesses interest included in profit from operations		
Interest on advances and investments	99	90
Less: interest from group companies		3
Net interest on advances included in investment income	99	87
Less: net interest paid included in operating expenses	9	7
Net interest received	90	80
32 Income tax expense		
Income tax charge		
South African normal taxation		
– Current	778	847
– Prior year (over) underprovisions	(19)	123
	759	970
Foreign taxation		
– Current	104	65
– Prior year overprovisions	(11)	
	93	65
Deferred		
– Current	239	146
– Prior year underprovisions	14	3
	253	149
Secondary and withholding taxation	33	34
Capital gains		
– Current	6	11
– Deferred	17	5
	23	16
	1 161	1 234
Reconciliation of tax rates:	%	%
Profit before taxation, excluding income from associates and joint ventures – effective rate	29,1	35,9
Income tax effect of:		
– Foreign tax rate differential	(0,2)	(0,4)
– Taxation assets not recognised	(0,9)	0,4
– Disallowable charges	(0,4)	(3,0)
– Exempt/capital income	2,7	1,2
– Secondary tax on companies	(0,8)	(1,0)
– Capital gains	(0,6)	(0,5)
– Prior year under (over) provisions	0,1	(3,6)
	29,0	29,0
33 Capital distributions and dividends per share		
Ordinary shares		
Interim		
– A distribution of 280 cents per share was made on 2 April 2007 and consisted of the following:		
- A capital distribution of 160 cents per share	299	
- A dividend of 120 cents per share	224	
– In the prior year, instead of an ordinary dividend, a capital distribution of 230 cents per share was made on 3 April 2006		433
Final		
– Instead of an ordinary dividend, a capital distribution of 280 cents per share is payable on 1 October 2007	523	
– In the prior year, instead of an ordinary dividend, a capital distribution of 244 cents per share was made on 2 October 2006	462	
Preferred ordinary shares		
Interim		
– An ordinary dividend of 267,5 cents per share was made on 30 March 2007	39	
– In the prior year a capital distribution of 267,5 cents per share was made		
Final		
– Instead of an ordinary dividend, a capital distribution of 267,5 cents per share is payable on 28 September 2007.	39	
– In the prior year a capital distribution of 267,5 cents per share was made.		

Notes to the group annual financial statements

	2007 Rm	2006 Rm
34 Earnings per share		
Ordinary shares		
Basic earnings per share are calculated by dividing the profit after tax attributable to ordinary shareholders of Imperial Holdings by the weighted average number of ordinary shares in issue during the year.		
Profit after tax attributable to equity holders of Imperial Holdings	2 776	2 247
– Attributable to ordinary shareholders	2 724	2 247
– Attributable to preferred ordinary shareholders	52	
Weighted average number of ordinary shares (million)	185,2	187,5
Basic earnings per share (cents)	1 470,5	1 198,1
For fully diluted attributable earnings per share, the weighted average number of ordinary shares in issue is adjusted by outstanding share options, deferred and preferred ordinary shares.		
Weighted average number of ordinary shares (million)	185,2	187,5
Adjusted for share options and deferred ordinary shares (million)	18,4	12,0
Weighted average number of ordinary shares for diluted earnings (million)	203,6	199,5
Diluted earnings per share (cents)	1 362,8	1 125,8
Headline earnings and headline diluted earnings per share are calculated as follows:		
Net profit attributable to ordinary shareholders	2 724	2 247
Impairment of property, plant and equipment, net of taxation	(3)	8
Profit on disposal of property, plant and equipment, net of taxation	(56)	(10)
Goodwill amortised, net of taxation	(5)	46
Exceptional items included in income from associates	(3)	
Headline earnings	2 657	2 291
Add back earnings attributable to preferred ordinary shareholders	52	
Diluted headline earings	2 709	2 291
Weighted average number of ordinary shares (million)	185,2	187,5
Headline basic earnings per share (cents)	1 434,1	1 222,1
Weighted average number of ordinary shares for diluted earnings (million)	203,6	199,5
Headline diluted earnings per share (cents)	1 329,6	1 148,3
Preferred ordinary shares		
Fixed amount attributable to preferred ordinary shares (eight months) (cents)	356,7	
35 Notes to the cash flow statement		
a) Cash generated by operations		
Profit before net financing costs	5 014	4 219
Adjustments for non-cash movements		
– Amortisation of intangible assets, net of recoupments	24	24
– Depreciation of property, plant and equipment	382	289
– Depreciation of transport fleet, net of recoupments	323	316
– Depreciation of leasing assets, net of recoupments	1 012	858
– Depreciation of vehicles for hire, net of recoupments	238	157
– Exceptional items	(10)	53
– Profit on disposal of property, plant and equipment	(58)	(12)
– Gains on disposal of insurance investment portfolios	(155)	(153)
– Impairment of assets	21	23
– Fair value adjustments	(415)	(240)
– Recognition of share-based payments	9	5
– Net movement in insurance and investment contracts	398	349
– Increase in retirement benefit obligations	3	1
Cash generated by operations before changes in working capital	6 786	5 889
Working capital movements		
– Increase in inventories	(1 328)	(1 218)
– Increase in accounts receivable	(587)	(1 864)
– Increase in accounts payable	1 140	2 827
	6 011	5 634

	2007 Rm	2006 Rm
35 Notes to the cash flow statement (continued)		
b) Acquisition of subsidiaries and businesses		
Goodwill	254	290
Other intangibles	47	8
Associates		3
Property, plant and equipment	134	389
Transport fleet	28	30
Leasing assets		486
Vehicles for hire	1	
Deferred taxation	(176)	(28)
Other investments and loans		192
Inventories	509	530
Accounts receivable	211	633
Cash and cash equivalents	66	231
Minority interest	(17)	(123)
Retirement benefit obligations		(4)
Interest-bearing borrowings	135	(553)
Provisions	(52)	(64)
Accounts payable	(460)	(1 004)
Taxation owing	(2)	(14)
	678	1 002
Less: cash resources acquired	(66)	(231)
Cash flow on acquisition	612	771
c) Disposals of subsidiaries and businesses		
Other intangibles	5	6
Associates and loans from associates	(1)	
Property, plant and equipment	7	14
Transport fleet	65	196
Inventories	11	4
Taxation owing	(4)	(5)
Accounts receivable	264	48
Cash and cash equivalents	12	5
Minority interest		(11)
Interest-bearing borrowings	61	(186)
Deferred taxation	(211)	(9)
Provisions	(1)	(6)
Accounts payable	(66)	(25)
Net asset value	142	31
Less: cash resources disposed of	(12)	(5)
Profit (loss) on sale of subsidiary	20	(10)
Proceeds on disposal	150	16
d) Net replacement capital expenditure		
Expenditure		
– Intangibles	(33)	(25)
– Property, plant and equipment	(642)	(457)
– Transport fleet	(398)	(305)
– Leasing assets	(2 691)	(1 897)
– Vehicles for hire	(923)	(818)
	(4 687)	(3 502)
Proceeds on disposals		
– Intangibles	4	
– Property, plant and equipment	628	212
– Transport fleet	185	277
– Leasing assets	1 949	1 239
– Vehicles for hire	713	670
	3 479	2 398

Notes to the group annual financial statements

	2007 Rm	2006 Rm
35 Notes to the cash flow statement (continued)		
d) Net replacement capital expenditure (continued)		
Net		
– Intangibles	(29)	(25)
– Property, plant and equipment	(14)	(245)
– Transport fleet	(213)	(28)
– Leasing assets	(742)	(658)
– Vehicles for hire	(210)	(148)
	(1 208)	(1 104)
e) Cash and cash equivalents		
Cash resources	2 788	1 630
Short-term loans and overdrafts	(4 977)	(3 273)
	(2 189)	(1 643)
36 Commitments		
Capital expenditure commitments to be incurred		
Contracted	1 146	727
Authorised by directors but not contracted	280	311
	1 426	1 038

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

Operating lease commitments	More than five years	One to five years	Less than one year	2007 Rm	2006 Rm
Property	721	1 139	400	2 260	2 138
Vehicles		12	39	51	225
Plant and equipment		18	11	29	81
Leasing assets		20	8	28	
	721	1 189	458	2 368	2 444

37 Contingent liabilities

The group has received an assessment from the South African Revenue Service relating to an offshore company. The total amount of the claim is R382 million, which includes penalties and interest. The company does not believe that the assessment is valid and will be defending the claim.	382	382
The group issued guarantees to the South African government for the due fulfilment of the contractual obligations of a leasing contract entered into by a subsidiary. The maximum amount of the guarantee was R120 million and to date all contractual obligations have been fulfilled and the contract has expired.		120
Subsidiaries have entered into buy-back agreements. The maximum exposure is R126 million. No material losses, other than those for which provision has been made in the financial statements, are anticipated as a result of these transactions.	126	206
A subsidiary company has guaranteed loans provided to a driver empowerment scheme for a maximum of R35 million.	35	35
Subsidiary companies have been summonsed for claims amounting to R57 million. The group and its legal advisers believe that these claims are unlikely to succeed.	57	67
Except for the above claims, there is no current or pending litigation that is considered likely to have a material adverse effect on the group.		

	More than five years	One to five years	Less than one year	2007 Rm	2006 Rm
38 Operating lease receivables					
The minimum future lease payments receivable under non-cancellable operating leases, for leasing assets, are as follows:					
– Aviation leasing fleet	19	876	801	1 696	2 401
– Forklifts	11	733	383	1 127	1 049
– Vehicles	1 007	2 081	955	4 043	3 005
	1 037	3 690	2 139	6 866	6 455

39 Related party transactions

Related party transactions

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

Interest of directors in contracts

The directors have confirmed that they were not materially interested in any transaction of any significance with the company or any of its subsidiaries. Accordingly, no conflict of interest with regard to directors' interest in contracts exists.

Subsidiaries

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

Shareholders

The principal shareholders of the company are detailed in the analysis of shareholders schedule on page 38 of the annual report. A director has shareholdings in subsidiaries and receives dividends.

Associates and joint ventures

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

	2007 Rm	2006 Rm
Revenue derived from associates and joint ventures is as follows:		
Sales of goods	185	185
Rendering of services	94	143
Gross premiums received	30	165
	309	493
Purchase of goods and services from associates and joint ventures	739	1 067
Management fees received from associates and joint ventures	3	2

Key management personnel

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

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

Often these transactions are minor and are difficult to monitor. Key management have to report any transactions with the group in excess of R100 000. The total value of goods and services supplied to or from key management on an arm's length basis amounted to R15 million (2006: R14 million).

In addition the group purchased supplies of nil (2006: R23 million) on an arm's length basis from an entity that was 100% owned by a director of one of the group's newly acquired subsidiaries. Subsequent to the 2006 financial year end, the group purchased a controlling interest in this entity.

The group also receives legal services from a firm of attorneys in which a director of the company has an interest, amounting to R4 million (2006: R5 million).

Key management personnel remuneration comprises:		
Non-executive directors' fees	4	3
Short-term employee benefits	532	351
Long-term employee benefits	30	26
Termination benefits	1	1
	567	381
Number of key management personnel	499	388

The gains on share options amounted to R18 million (2006: R37 million).

Notes to the group annual financial statements

40 Financial instruments

Financial risk factors

The group's activities expose it to a variety of financial risks, market risk, including interest rate risk, currency risk and price risk, credit risk and liquidity risk.

Derivative instruments are used by the group for hedging purposes. Such instruments are forward exchange contracts and interest rate swap agreements. The group does not speculate in the trading of derivative instruments.

Currency risk

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

The group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

Exchange rate exposures are managed utilising forward exchange contracts and currency options.

The group maintains a fully covered exchange rate position in respect of foreign currency borrowings. Each division manages its own trade exposure. Trade-related import exposures are managed through the use of natural hedges arising from foreign assets as well as forward exchange contracts.

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

The group has entered into certain forward exchange contracts that relate to specific balance sheet items at 25 June and specific foreign commitments not yet due. The details of these contracts are as follows:

Foreign currency – 2007	Foreign amount (million)	Average exchange rate	Contract value Rm	Fair value 2007 Rm
Imports				
US dollar	225	7,26	1 632	1 627
Euro	77	9,72	751	746
Pound Sterling	9	14,23	123	125
Japanese Yen	11 030	16,15	683	656
Swedish Krona	7	1,03	8	8
			3 197	3 162

Foreign currency – 2006	Foreign amount (million)	Average exchange rate	Contract value Rm	Fair value 2006 Rm
Imports				
US Dollar	228	6,41	1 460	1 724
Euro	195	7,80	1 523	1 899
Pound Sterling	12	12,61	158	170
Japanese Yen	8 045	17,47	461	532
			3 602	4 325

	2007 Rm	2006 Rm
Uncovered foreign currency exposure	21	15

Interest rate risk

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

The group is exposed to interest rate risk as it borrows and places funds at both fixed and floating rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings.

The group's financial services division, having access to local money markets, provides the subsidiaries with the benefits of bulk financing and depositing. The interest rate profile of total borrowings is reflected in note 22.

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

The group's remaining periods and notional principal amounts of the outstanding interest rate derivative contracts are:

	2007 Rm	2006 Rm
Less than one year	2 002	
One to five years	808	2 000
More than five years	1 555	1 112
	4 365	3 112

40 Financial instruments (continued)

Market risk

This is the risk that changes in the general market conditions may adversely impact on the group's earnings, assets, liabilities and capital.

The group is exposed to market risk as it holds equity securities, which are classified as either available for sale or designated as fair value through profit or loss.

The group manages its market risk by diversifying its portfolio. In 2007 the group entered into Safex futures contracts, based on the ALSI index.

The group's remaining periods and notional principal amounts of the outstanding futures contracts are:

	2007 Rm	2006 Rm
Less than one year	195	

Credit risk

Cre

procedures. Where appropriate, the group obtains appropriate collateral to mitigate risk. Counterparty credit limits are in place and are reviewed and approved by the respective subsidiary boards.

Trade accounts receivable

Trade accounts receivable consist mainly of a large, widespread customer base. Group companies monitor the financial position of their customers on an ongoing basis. Where considered appropriate, use is made of credit guarantee insurance. The granting of credit is controlled by the application of account limits.

Provision for doubtful debts

Provision is made for bad debts on trade accounts receivable. Management do not consider that there is any material credit risk exposure not already covered by credit guarantee or a bad debt provision.

Cash and cash equivalents

It is group policy to deposit short-term cash with reputable financial institutions.

Liquidity risk

This is the risk of not being able to generate sufficient cash to meet commitments to borrowers, depositors and other creditors at any point in time.

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Unutilised borrowings are reflected in note 22.

Maturity profile of financial instruments	More than five years Rm	One to five years Rm	Less than one year Rm	Total 2007 Rm
Financial assets				
Other investments and loans	162	703	1 928	2 793
Other non-current financial assets	267	451	124	842
Trade and other receivables			8 883	8 883
Cash and cash equivalents			2 788	2 788
Financial liabilities				
Interest-bearing borrowings	5 066	2 330	6 449	13 845
Insurance and investment contracts		861	861	1 722
Other non-current financial liabilities			13	13
Trade and other payables	40	48	12 438	12 526

Fair value of financial instruments (Rm)	Carrying value	Fair value
Financial assets		
Other investments and loans	2 793	2 793
Other non-current financial assets	842	842
Trade and other receivables	8 883	8 883
Cash and cash equivalents	2 788	2 788
Financial liabilities		
Interest-bearing borrowings	13 845	13 850
Insurance and investment contracts	1 722	1 722
Other non-current financial liabilities	13	13
Trade and other payables	12 526	12 526

Company balance sheet

At 25 June	Notes	2007 Rm	2006 Rm
ASSETS			
Interests in subsidiaries	2	8 512	8 116
Investments in associates and joint ventures	3	1 369	665
Investments	4	50	37
Non-current financial asset	5		540
Trade and other receivables		11	3
Total assets		9 942	9 361
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	6	876	1 762
Other reserves	7	344	363
Retained earnings		8 049	7 028
Total shareholders' equity		9 269	9 153
Liabilities			
Deferred tax liability	8	117	117
Non-redeemable, non-participating preference shares	9	441	
Trade and other payables		92	64
Current tax liability		23	27
Total liabilities		673	208
Total equity and liabilities		9 942	9 361

Company income statement

For the years ended 25 June	Notes	2007 Rm	2006 Rm
Revenue	10	1 202	2 225
Fair value adjustment on call option		129	179
Exceptional items	11	2	(40)
Profit before net financing costs		1 333	2 364
Net financing cost	12	(19)	
Profit before taxation		1 314	2 364
Income tax expense	13	2	34
Net attributable profit for the year		1 312	2 330

Company statement of changes in equity

For the years ended 25 June	Share capital Rm	Share premium Rm	Other reserves Rm	Retained earnings Rm	Total Rm
Balance at 25 June 2005	9	1 920	3	4 698	**6 630**
Net attributable profit for the year				2 330	**2 330**
Foreign currency translation reserve movement			(1)		**(1)**
Initial fair value adjustment on call option			361		**361**
Issue of 761 500 ordinary shares		39			**39**
Issue of 14 516 617 preferred ordinary shares	1	805			**806**
Capital distribution of 220 cents per ordinary share in Sept 2005		(456)			**(456)**
Capital distribution of 230 cents per ordinary share in March 2006		(478)			**(478)**
Capital distribution of 267,5 cents per preferred ordinary share in Sept 2005		(39)			**(39)**
Capital distribution of 267,5 cents per preferred ordinary share in March 2006		(39)			**(39)**
Balance at 25 June 2006	10	1 752	363	7 028	**9 153**
Net attributable profit for the year				1 312	**1 312**
Recognition of share-based payments			(19)		**(19)**
Capital distribution of 267,5 cents per preferred ordinary share in Sept 2006		(39)			**(39)**
Capital distribution of 244 cents per ordinary share in October 2006		(511)			**(511)**
Capital distribution of 160 cents per ordinary share in October 2006		(336)			**(336)**
Dividend of 120 cents per ordinary share in April 2007				(252)	**(252)**
Dividend of 267,5 cents per preferred ordinary share in March 2007				(39)	**(39)**
Balance at 25 June 2007	10	866	344	8 049	**9 269**

Company cash flow statement

For the years ended 25 June	Note	2007 Rm	2006 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated by operations	16	**1 222**	2 251
Net financing costs		**(19)**	
Income tax paid		**(6)**	(1)
		1 197	2 250
CASH FLOWS FROM INVESTING ACTIVITIES			
Additional investments in and loans to subsidiary and associated companies, net of disposals		**(429)**	(2 046)
Additions to investments		**(13)**	(37)
		(442)	(2 083)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital			845
Increase in interest-bearing borrowings		**441**	
Share based payments		**(19)**	
Capital distributions		**(886)**	(1 012)
Dividends paid		**(291)**	
		(755)	(167)
Net change in cash and cash equivalents		**–**	–
Cash and cash equivalents at beginning of year		**–**	–
Cash and cash equivalents at end of year		**–**	–

Notes to the company annual financial statements

	2007 Rm	2006 Rm
1 Accounting policies, significant judgements and estimates and impact of new unissued standards		
Please refer to notes 1, 2 and 3 of the group annual financial statements		
2 Interests in subsidiaries		
Shares at cost or valuation	6 878	6 437
Indebtedness by subsidiaries	1 634	1 679
	8 512	8 116
Details of the company's subsidiaries are reflected in Annexure A.		
3 Investments in associates and joint ventures		
Unlisted shares at cost	70	36
Impairments	(12)	(12)
	58	24
Indebtedness by associates and joint ventures	642	641
Reclassification of fair value adjustments on Lereko option (refer note 5)	669	
	1 369	665
Valuation of shares in associates and joint ventures		
Unlisted shares at directors' valuation	93	24
Details of the group's associates and joint ventures are reflected in Annexure B. The directors' valuation has been established by reference to the group's share of net assets of the associates and joint ventures.		
4 Investments		
Unlisted shares at fair value	50	37
5 Non-current financial asset		
Call option asset		
Balance at beginning of the year	540	
Initial fair value of call option		361
Fair value adjustment	129	179
	669	540
Reclassified to investment in associates and joint ventures	(669)	
Balance at the end of the year		540
In terms of the black empowerment transaction concluded with Lereko Mobility in June 2005, Lereko Mobility acquired 14 516 617 preferred ordinary shares in Imperial. Imperial facilitated the transaction with vendor finance by issuing preferred ordinary shares at their par value of 4 cents. This discount had a value of R600 million. This will entitle Imperial to a call option from the company for a sufficient number of Imperial's shares to be delivered on 15 June 2015 to settle this amount plus a return that will amount to a minimum of R1 495 million and a maximum of R2 291 million. The call option asset has been valued using the Black Scholes model.		
6 Share capital and premium		
Authorised share capital		
394 990 000 (2006: 434 990 000) ordinary shares of 4 cents each	15	17
50 000 000 (2006: 50 000 000) deferred ordinary shares of 4 cents each	2	2
15 000 000 (2006: 15 000 000) preferred ordinary shares of 4 cents each	1	1
1 000 (2006: 1 000) redeemable preference shares of 4 cents each		
40 000 000 (2006: nil) non-redeemable, non-participating preference shares of 4 cents each	2	
	20	20
Issued share capital		
209 617 979 (2006: 207 896 450) ordinary shares of 4 cents each	8	8
19 293 859 (2006: 21 015 388) deferred ordinary shares of 4 cents each	1	1
14 516 617 (2006: 14 516 617) preferred ordinary shares of 4 cents	1	1
4 540 041 (2006: nil) non-redeemable, non-participating preference shares of 4 cents each (refer to note 9)		
	10	10
Share premium	866	1 752
	876	1 762
Refer to note 16 of the notes to the group annual financial statements for further details regarding the deferred ordinary shares, the preferred ordinary shares, the share schemes and directors' interest in share capital.		
7 Other reserves		
Balance at beginning of year	363	
Recognition of share-based payments	(19)	
Initial fair value adjustment on call option		361
Foreign currency translation reserve movement		(1)
Realised surplus on sale of property, plant and equipment and investments		2
Unrealised surplus on revaluation of shares in subsidiaries		1
	344	363
8 Deferred tax liability		
Movement in deferred tax		
Balance at beginning of year	117	111
Capital gains		6
Balance at end of year	117	117
Analysis of deferred tax		
– Capital gains	117	117

	2007 Rm	2006 Rm
9 Non-redeemable, non-participating preference shares		
Non-redeemable, non-participating preference shares	441	
4 540 041 preference shares were issued during the financial year and are listed on the JSE under specialist securities – preference shares sector.		
These shares are entitled to a preference dividend being 75% of the prime interest rate. The company is obligated to pay any arrear dividends within five years from the proceeds raised by issuing new ordinary shares within six months prior to such payment. Because of the cumulative nature of these preference shares they are classified as debt with no repayment terms.		
10 Revenue		
An analysis of the company's revenue is as follows:		
Dividends from subsidiaries	1 197	2 222
Preference dividends received	5	3
	1 202	2 225
11 Exceptional items		
Profit on sale of subsidiaries and businesses	2	
Write-down of investment in subsidiary		(40)
	2	(40)
12 Net financing cost		
Interest paid	20	
Finance income	(1)	
	19	
13 Taxation		
Taxation charge		
South African normal		
– Prior year (under) overprovision	(4)	6
Withholding and secondary tax on companies	6	28
	2	34
Reconciliation of tax rates:	%	%
Profit before taxation – effective rate	0,2	1,5
Taxation effect of:		
– Withholding and secondary tax on companies	(0,5)	(1,2)
– Write-down of investment in subsidiary		(0,5)
– Disallowable charges	(0,3)	
– Exempt income	26,5	27,2
– Fair value adjustment on call option	2,8	2,2
– Prior year over (under)provision	0,3	(0,2)
	29,0	29,0
14 Dividends and other distributions		
Refer to note 33 of the group annual financial statements.		
15 Contingent liabilities	Rm	Rm
The company has contingent liabilities in respect of guarantees issued to bankers and others, on behalf of subsidiaries, for facilities in the normal course of business to the extent that they are used. The year-end utilisation of facilities are:	2 521	2 024
The company has issued guarantees to the South African government for the due fulfilment of the contractual obligations of a leasing contract entered into by a subsidiary. The maximum amount of the guarantee is R120 million and to date all contractual obligations have been fulfilled.		120
The company has received an assessment from South African Revenue Service relating to an offshore company. The total amount of the claim is R382 million which includes penalties and interest. The company does not believe that the assessment is valid and will be defending this claim.	382	382
The company has guaranteed the obligations to investors in the commercial paper and corporate bond issues.	10 358	8 318
16 Cash generated by operations		
Profit before net financing costs	1 333	2 364
Exceptional items	(2)	40
Foreign currency translation reserve movement		(1)
Fair value adjustment on call option	(129)	(179)
Working capital movements		
– Increase in accounts receivable	(8)	(3)
– Increase in accounts payable	28	30
	1 222	2 251

Annexure A – Interest in principal subsidiaries

Company	Nature of business	Place of incor-poration	Interest owned directly or indirectly %	Ordinary shares in issue	Book value of interest Shares at cost 2007 Rm	Shares at cost 2006 Rm	Indebtedness 2007 Rm	Indebtedness 2006 Rm
Imperial Mobility International BV	See note 2	Netherlands	100	150 188	2 275	2 275		
Imperial Group (Pty) Ltd	See note 3	South Africa	100	165	1 779	1 779	185	572
Associated Motor Holdings (Pty) Ltd	See note 4	South Africa	90	500 000	46	46		
Imperial Financial Holdings Ltd	Banking	South Africa	100	255 000 000	251	251	75	
Regent Insurance Company Ltd	Insurance	South Africa	100	2 099 000	206	206		
Regent Life Assurance Company Ltd	Life insurance	South Africa	100	2 125 000	145	145		
Tourism Investment Corporation Ltd	Tourism	South Africa	66	830 350 304	424	424		
MCC Group	See note 5	South Africa	50,1	1 000	145	145		
Imperial Capital Ltd	See note 6	South Africa	100	100				
Imperilog Ltd	See note 7	South Africa	100	51 015 305	160	160		
Jurgens Ci (Pty) Ltd	See note 8	South Africa	80	1 000	146			
Terex Africa (Pty) Ltd	See note 9	South Africa	100	277 000	50			
Alert Engine Parts (Pty) Ltd	See note 10	South Africa	100	7 500	88			
Other, including indirect interest					1 163	1 006	1 374	1 107
					6 878	6 437	1 634	1 679

1 General information in respect of subsidiaries as required in terms of paragraphs 69 and 70 of the fourth schedule to the Companies Act is set out in respect of only those subsidiaries, the financial position of which are material for a proper appreciation of the affairs of the group. A full list of subsidiaries and associated companies is available on request at the company's registered offices.

2 Business conducted by Imperial Mobility International BV comprises aviation sales and leasing, integrated logistics solutions and vehicle and forklift leasing.

3 Business conducted by Imperial Group (Pty) Ltd comprises vehicle rental, motor trading, tourism, full maintenance leasing, automotive components, property investments, transportation, manufacture of motor components, panelbeating and group services.

4 Business conducted by Associated Motor Holdings (Pty) Ltd comprises motor vehicle importation, dealership sales and after-sales services.

5 The MCC Group is a supplier to major mining houses and companies, with expertise in mass earthmoving, plant hire and maintenance, either on-site or in our fully equipped workshops .

6 Imperial Capital Ltd owns and finances assets to group companies.

7 Business conducted by Imperilog Ltd comprises transport logistics and security services.

8 Jurgens Ci (Pty) Ltd is the manufacturer and distributor of leisure caravans and camping equipment.

9 Terex Africa (Pty) Ltd is engaged principally in the importation and distribution of mining equipment and component parts, as well as the supply of spare parts and servicing of equipment.

10 Alert Engine Parts (Pty) Ltd is a wholesaler and retailer of motor vehicle engine parts.

Annexure A – Interest in principal subsidiaries (continued)

Held by subsidiaries of Imperial Holdings

Company	Nature of business	Place of incor-poration	Interest owned directly or indirectly %	Ordinary shares in issue	Book value of interest: Shares at cost 2007 Rm	Shares at cost 2006 Rm	Indebtedness 2007 Rm	Indebtedness 2006 Rm
Subsidiaries of Imperial Mobility International BV								
Imperial Commercials Ltd	See note 1	United Kingdom	100	560 000	12	10	160	154
Imperial Multipart Ltd	See note 2	United Kingdom	100	12 913 100	420	422	45	41
Imperial Logistics International GmbH	See note 3	Germany	100	2	1 425	1 425		
Air Contractors Ltd	See note 4	Ireland	100	3	96	96		
Associated Motors Australia (Pty) Ltd	See note 5	Australia	90	81	197	197	191	167
Subsidiaries of Associated Motor Holdings								
Hyundai Auto South Africa (Pty) Ltd	See note 6	South Africa	100	1 000	100	100		
Imperial Car Imports (Pty) Ltd	See note 6	South Africa	100	10 000	6	6		
Imperial Daihatsu (Pty) Ltd	See note 6	South Africa	99.9	10 000 000	11	11	111	54
Kia Motors SA (Pty) Ltd	See note 6	South Africa	100	25 000			157	105
KMSA Holdings (Pty) Ltd	See note 7	South Africa	75	10 000	4	4	34	6

1 Engaged in commercial vehicle sales and after-sales services.
2 Engaged in auto parts warehousing and distribution.
3 Engaged in transport and logistics.
4 Engaged in the leasing of aircraft.
5 Engaged in dealership sales and after-sales services.
6 Importer and retailer of motor vehicles, parts and accessories.
7 Importer and retailer of motorcycles, parts and accessories.

Material acquisitions

The material acquisitions by the group in the current financial year are as follows:

	Nature of business	Purchase consi-deration (note 1) Rm	Fair value of net assets acquired Rm	Goodwill Rm	Acqui-sition date Rm	Interest owned %	Contribution since acquisition: Revenue Rm	Contribution since acquisition: Profit before tax Rm
Alert Engine Parts (Pty) Ltd	See note 2	88	43	45	26 Aug 2006	100	308	24
Terex Africa (Pty) Ltd and Orenstein & Koppel SA (Pty) Ltd#	See note 3	132	132		26 Dec 2006	100		
Jurgens Ci (Pty) Ltd#	See note 4				1 April 2007	80		

#Information not disclosed due to confidentiality agreements.

1 The purchase consideration includes shares acquired, properties and inter-group loan balances that formed part of the purchase consideration.
2 Alert Engine Parts (Pty) Ltd is a wholesaler and retailer of motor vehicle engine parts.
3 Terex Africa (Pty) Ltd is engaged principally in the importation and distribution of mining equipment and component parts, as well as the supply of spare parts and servicing of equipment.
4 Jurgens Ci (Pty) Ltd is the manufacturer and distributor of leisure caravans and camping equipment.

Annexure B – Interest in principal associated companies and joint ventures

			Carrying value		% owned	
	Nature of business	Place of incorporation	2007 Rm	2006 Rm	2007 %	2006 %
Imperial Bank Ltd	Financial service provider	Republic of South Africa	1 214	864	49,9	49,9
Lereko Mobility (Pty) Ltd	Investment company	Republic of South Africa	669		49,0	49,0
Safair Lease Finance (Pty) Ltd	Aircraft leasing	Republic of South Africa	392	327	50,0	50,0
Renault South Africa (Pty) Ltd	Vehicle distributor	Republic of South Africa	108	151	49,0	49,0
Fuellogic (Pty) Ltd	Logistics	Republic of South Africa	93	15	46,5	49,0
Ukhamba Holdings (Pty) Ltd	Investment company	Republic of South Africa	33	56	46,9	46,9
Accordian Investments (Pty) Ltd	Vehicle distributor	Republic of South Africa	42	66	40,0	40,0
Other			181	123		
			2 732	1 602		

Annexure C – Additional information on insurance businesses

1 Accounting policies

Insurance and investment contracts

Long-term insurance operations

The long-term insurance operations issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

Insurance contracts are classified into individual credit life contracts, individual life contracts, group funeral, group life and group credit life contracts.

All policyholder contracts that transfer significant insurance risk are classified as insurance contracts. These contracts are valued in terms of the financial soundness valuation (FSV) basis contained in PGN 104 issued by the Actuarial Society of South Africa.

The statutory actuary calculates the liabilities under long-term insurance contracts and investment contracts annually at the balance sheet date in accordance with prevailing legislation, Actuarial Society of South Africa Professional Guidance Notes and International Financial Reporting Standards as appropriate. The transfers to or from insurance liabilities in the income statement represent the increase or decrease in contract liabilities, including all necessary provisions and reserves.

The FSV basis requires at each balance sheet date that liability adequacy tests are performed to ensure the adequacy of the contract liabilities. The liabilities for investment contracts are set equal to the accumulated fair value of the underlying assets. Any deficiency is immediately charged to profit and loss and a provision is raised for losses from the liability adequacy tests.

Policyholder contracts that do not transfer significant insurance risk are initially and thereafter recognised at fair value, with changes in fair value being accounted for in the income statement. The premiums and benefit payments relating to these investment contracts have been excluded from the income statement and accounted for directly as a liability.

Short-term insurance operations

Contracts issued transfer insurance risk. Contracts under which the group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable.

Contracts entered into with reinsurers by the long-term and short-term operations, under which the group is compensated for losses on one or more contracts, and which meet the classification requirements for insurance contracts, are classified as reinsurance contracts held.

The benefits to which the long-term and short-term operations are entitled under their reinsurance contracts held are recognised as reinsurance assets, consisting of short-term and long-term balances due from reinsurers that are dependent on the expected claims and benefits. Reinsurance liabilities are primarily premiums payable and are recognised as an expense when due. Reinsurance assets are assessed for impairment on an annual basis, reducing the carrying amount of the reinsurance asset to its recoverable amount through the income statement.

Reinsurance operations

Contracts issued transfer insurance risk. The group retrocedes reinsurance risk in the normal course of business for the purpose of limiting its net loss potential. Retrocession arrangements do not relieve the group of its direct obligation to its cedants. Premiums retroceded and benefits reimbursed are presented in the income statement and balance sheet. The retrocessionaires' share of unearned premiums is calculated by relating the premiums to the unexpired risk periods. Anticipated retrocession recoveries are disclosed as assets. Retrocession and other recoveries are assessed in a manner similar to the assessment of claims outstanding. Outward retrocession premiums are recognised as an expense over the indemnity period. Amounts recoverable under retrocession agreements are assessed for impairment at each balance sheet date.

Insurance results

The long-term insurance operating profits are determined in accordance with the FSV and International Financial Reporting Standards. The underlying philosophy of the FSV is to recognise profits prudently over the term of each insurance contract. In the valuation of liabilities, provision is made for:

- The best estimate of future experience;
- Compulsory margins prescribed in the Long-Term Insurance Act, 1998; and
- Discretionary margins determined to release profits to shareholders consistent with policy design and company policy.

The long-term insurance operations reported an insurance gain of R169 million in 2007 (2006: R118 million).

Annexure C – Additional information on insurance businesses
(continued)

The short-term and reinsurance operations' insurance results are determined after making provisions for unearned premiums, outstanding claims, unexpired risk provision and such additional provisions as are considered necessary. The methods used to determine these provisions are set out below.

The short-term insurance operations reported an insurance result excluding investment return of R134 million in 2007 (2006: R117 million). The reinsurance operations reported an insurance loss excluding investment return of R16 million in 2007 (2006: R7 million).

Unearned premiums
Premiums are earned from the date the risk attaches, over the indemnity period, based on the pattern of the risk underwritten. Unearned premiums, which represent the proportion of premiums written in the current year that relate to risks that have not expired by the end of the financial year, are calculated on the 365th basis for even risk business and other bases that best represent the unearned risk profile for uneven risk business.

Outstanding claims
Claims incurred consist of claims paid during the financial year together with the movement in the provision for outstanding claims.

The provision for outstanding claims comprises the group's estimate of the undiscounted ultimate cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. Related anticipated reinsurance recoveries are disclosed separately as assets. These estimated reinsurance and other recoveries are assessed in a manner similar to the assessment of claims outstanding.

While the directors consider that gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately. The methods used to value these provisions, and the estimates made, are reviewed regularly.

Unexpired risk provision
Provision is made for unexpired risks arising to the extent that the expected value of claims and claims handling expenses attributable to the unexpired periods of contracts in force at the balance sheet date exceeds the unearned premiums provision in relation to such contracts after the deduction of any deferred acquisition costs.

Revenue recognition
The long-term insurance operations reflect premium income relating to insurance business gross of reinsurance and commission and are accounted for when they become due. Premiums receivable in respect of group schemes are recognised when there is reasonable assurance of collection. Premiums on investment contracts are recorded as deposits to investment contract liabilities.

Short-term insurance written premiums comprise the premiums on contracts entered into during the year, gross of reinsurance and commission, irrespective of whether they relate in whole or in part to a later accounting period and are disclosed gross of commission payable to intermediaries. Premiums written include adjustments to premiums written in the prior accounting periods and estimates for pipeline premiums (premiums written relating to current accounting period but not reported by the balance sheet date).

The reinsurance operations insurance premiums written comprise the premiums on contracts entered into during the year, irrespective of whether they relate in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries. Premiums written include adjustments to premiums written in prior accounting periods and estimates for future premiums. Premiums are earned from the date of attachment of risk over the indemnity period, based on the pattern of risk underwritten.

	2007 Rm	2006 Rm
2 Other investments and loans (note 11 to the group annual financial statements)		
2.1 Financial assets held at fair value		
Balance at beginning of year	1 629	1 208
Additions	960	939
Disposals	(1 040)	(791)
Fair value adjustment	295	273
Balance at end of year	1 844	1 629
2.2 Reconciliation to group annual financial statements		
Financial assets at fair value – insurance businesses	1 844	1 629
Financial assets at fair value – other operations	32	21
	1 876	1 650

	2007 Rm	2006 Rm
3 Insurance assets and liabilities		
Liabilities under insurance contracts		
Short-term and reinsurance operations		
3.1 Outstanding claims, including claims incurred but not reported		
Balance at beginning of year	542	397
Claims settled during year	(1 072)	(742)
Increase in liabilities	1 210	887
Balance at end of year	680	542
Outstanding claims	563	422
Incurred but not reported	117	120
Balance at end of year	680	542

This amount is reflected in trade and other payables.

3.2.1 Unearned premium provision		
Balance at beginning of year	550	372
Premiums written during year	2 176	1 582
Premiums earned during year	(1 934)	(1 404)
Balance at end of year	792	550
3.2.2 Long-term operations		
Balance at beginning of year	761	590
Transfer from income statement	137	167
Arising from translation of foreign liabilities	(7)	4
Balance at end of year	891	761

Process used to decide on assumptions

The business was divided into homogenous groupings and each grouping was analysed. Best estimate assumptions were derived based on these experience investigations. Where data was limited, market statistics were used. Recent trends evident in the data were allowed for.

Once the best estimate assumptions were arrived at, compulsory margins were added as required in terms of local actuarial guidance notes.

The compulsory margins are summarised as follows:

Assumption	Compulsory margin
Investment earnings	0,25% reduction in rate.
Expense inflation	10% loading, ie 1,1 times the expense inflation assumption used.
Mortality	Assumption was increased by 7,5%, ie 1 075 times the relevant mortality rate.
Morbidity	Assumption was increased by 10%, ie 1,1 times the relevant mortality rate, For dread disease the margin is 15%.
Retrenchment	Assumption was increased by 20%, ie 1,2 times the relevant mortality rate.
Lapses	25% increase or decrease in lapse rates depending on which gives the higher liability, ie multiply by 1,25 or 0,75.
Surrenders	10% increase or decrease in surrender rates depending on which gives the higher liability, ie multiply by 1,1 or 0,9.
Expenses	10% loading, ie 1,1 times the expense assumption used.

In addition to the above compulsory margins the following additional discretionary margins were incorporated:

Retrenchment	An additional 30% margin was added.
All other decrements	For credit life only an additional 10% margin was added.

Negative reserves were eliminated in full or by 50% (depending on the volatility of the experience) on a policy by policy basis.

The assumptions used for insurance contracts are as follows:
The value of insurance liabilities is based on best estimate assumptions of future experience plus compulsory margins as required in terms of PGN 104, plus additional discretionary margins determined by the statutory actuary.

The process of deriving the best estimate assumptions relating to future mortality, morbidity, medical, withdrawals, investment returns, maintenance expenses, expense inflation and tax, are described below.

a) Mortality

Adjusted standard assured lives and annuity tables were used to reflect the company's recent claims experience. The adjustments are based on annual mortality investigations conducted into the different classes of business and also allows for the expected increase in Aids-related claims. The allowance for Aids is based on the most recent actuarial guidance notes as provided by ASSA.

b) Morbidity

Disability and dread rates are based on standard morbidity tables and where appropriate adjusted to reflect the group's recent claims experience. Adjustments made are based on investigations conducted once a year.

Annexure C – Additional information on insurance businesses
(continued)

3 Insurance assets and liabilities (continued)

c) Persistency

Lapses and withdrawal assumptions are based on the most recent experience investigation and also allow for expected future trends. Investigations are conducted once a year by policy type and duration in force.

d) Investment returns

Separate investment returns were derived for the annuity and non-annuity business. The returns were based on the current bond yields and long-term differentials between bonds, cash and equities. The assumptions were based on the long-term rates and current asset mix. Allowance was made for mismatches.

The long-term investment returns (before compulsory margins) are as follows:

Bonds and fixed interest	7,8%
Equities	9,8%
Cash	5,8%
Inflation	5,0%

e) Renewal expenses and inflation

A detailed expense investigation was undertaken and the expenses split by line of business and between new business and maintenance expenses.

The maintenance expenses were adjusted for expected inflation in the future and spread over the anticipated volumes of business over the next year to derive a per policy expense for each class. A check was made to ensure that based on current business volumes, the expenses allocated to new business will also be covered by the future new business written.

f) Tax

The interest assumptions are net of any tax payable by the group. Note that currently the group is in an excess E tax position and no tax is payable on investment income. Interest rates are net of any capital gains tax.

Change in assumptions

Assumptions are regularly reviewed in the light of the current economic environment and to reflect the recent experience of the company. The following assumptions were reviewed:

The economic assumptions were reduced to reflect the current economic environment, as follows:

- The discount rate for individual life and credit life business was increased from 7,3% to 8,2%.
- The discount rate for annuity business was increased from 7,8% to 7,9% and the assumed rate of pension increases changed from 5,0% to 5,3% and therefore the real yield reduced from 2,8% to 2,6%.
- The parameters used in the stochastic model for the PGN110 reserve on the annuity business were changed to reflect the experience to date.
- Expense inflation for the annuity business remained unchanged at 5,5% (2006: 3,6%).

The non-economic assumptions were also reviewed to reflect recent experience as follows:

- Expenses on the individual life business were increased from R211,00 to R270,25 per policy per month. This resulted in an increase in reserves of R137 000 (2006: R140 000).
- The withdrawal assumptions were adjusted to reflect the recent lapse experience.

Sensitivity analysis

The following table presents the sensitivity of the value of insurance liabilities disclosed in note 3.2.2: long-term operations, to movements in the assumptions used in the estimation of insurance liabilities.

	Change in variable	Change in liability 2007 R000	Change in liability 2006 R000
Variable			
Worsening of mortality	10% worse claims	35 136	24 733
Lowering of investment returns	15% lower returns	27 616	22 751
Worsening of base renewal expense level	10% higher expenses	13 778	9 481
Worsening of expense inflation	10% higher expense inflation	4 032	2 077
Worsening of lapse rate	25% higher withdrawals	(393)	1 178

The above analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and the changes in some assumptions may be correlated – eg change in interest rate and change in market values.

	2007 R000	2006 R000
3 Insurance assets and liabilities (continued)		
3.2.3 Financial liabilities under investment contracts – long-term operations		
Balance at beginning of year	20	16
Deposits	28	12
Payments	(9)	(3)
Fair value adjustment to policyholder liabilities under investment contracts		(5)
Balance at end of year	39	20
3.2.4 Reconciliation to group annual financial statements		
Insurance and investment contracts		
(note 23 to the group annual financial statements)		
Short and reinsurance operations – unearned premium provisions (note 3.2.1)	792	550
Long-term operations: liabilities under insurance contracts (note 3.2.2)	891	761
Long-term operations: liabilities under investment contracts (note 3.2.3)	39	20
	1 722	1 331
3.3 Reinsurers' share of liabilities under insurance contracts		
(note 12 to the group annual financial statements)		
Balance at beginning of year	451	412
Movement in reinsurers' share of insurance liabilities	91	39
Balance at end of year	542	451
3.4 Insurance claims provisions		
(note 25 to the group annual financial statements)		
Short and reinsurance operations – IBNR (note 3.1)	117	120
Long-term, reinsurance and other operations – outstanding claims provisions	101	50
	218	170
4 Revenue		
(note 27 to the group annual financial statements)		
Premium income		
Long-term operations		
Individual premium income		
Single premiums	665	600
Reinsurance	(151)	(107)
	514	493
Recurring premiums	191	201
Reinsurance	(8)	(5)
	183	196
Group life premium income		
Recurring premiums	84	59
Reinsurance	(6)	(8)
	78	51
Net premium income from long-term operations	775	740
Short-term and reinsurance operations		
Gross premiums written	2 013	1 582
Outward reinsurance premiums/retrocession premiums	(430)	(291)
Net premium income from short-term and reinsurance operations	1 583	1 291
Total net premium income	2 358	2 031
Total gross premium income	2 953	2 442

Annexure C – Additional information on insurance businesses
(continued)

5 Management of insurance-specific risks

A) Insurance risk

Long-term operations:

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in policyholder behaviour.

The group uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the group over the last three years is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future.

The group maintains termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at the best estimate of future termination rates.

Short-term operations:

The group underwrites risks that natural persons or other entities wish to transfer to an insurer. Such risks include the perils around fire, motor, accident, engineering, marine and aviation that may give rise to an insurable event.

As such the group is exposed to uncertainty surrounding the timing and severity of claims under insurance contracts. The principal risk is that the frequency and/or severity of claims is greater than expected. Insurance events are, by their nature, random and the actual number and size of events during any one year may vary from those estimated and experienced in prior years.

The group underwrites primarily short-tail risks, ie insurance under which claims are typically settled within one year of the occurrence of the events giving rise to the claims. Consequently, while the group may experience variations in its claims patterns from one year to the next, the group's exposure at any time to insurance contracts issued more than one year before, is limited.

Reinsurance operations

Estimation of future premium income is done on a per treaty level as well as on a per risk level for facultative risks. In estimating future premiums, the cedants' expected premium income as well as market knowledge is taken into account. The basis of calculating the claims expenditure for claims already incurred and for future claims from current reinsurance contracts involves uncertainties. This estimation is based on historical experience and assumptions of future expected changes. The degree of estimation risk varies according to the class of business.

The group's insurance businesses obtain third-party reinsurance/retrocession cover to reduce risks from single events or accumulation of risk that could have a significant impact on earnings for the current year or the group's capital.

B) Capital adequacy and solvency

Long-term operations:

The capital adequacy requirement is determined according to generally accepted actuarial principles in terms of the guidelines issued by ASSA. It is an estimate of the minimum capital that will be required to meet fairly substantial deviations from the main assumptions affecting the group's business.

At 25 June 2007 the capital adequacy requirement is R140 million and the ratio of excess assets to capital adequacy requirements is 3,00 (2006: R117 million, capital adequacy ratio 3,03).

Short-term and reinsurance operations:

Capital adequacy risk is the risk that there are insufficient reserves to provide for variations in actual future experience that is worse than what has been assumed in the financial soundness valuation. The group must maintain a capital balance that will be at least sufficient to meet obligations in the event of substantial deviations from the main risk assumptions affecting the group's business. This is used to determine required capital levels that will ensure sustained solvency within an acceptable confidence level. The solvency margin represents shareholders' equity as a percentage of premiums and was 36% (2006: 37%) and 221% (2006: 108%) at 25 June 2007 for the short-term and reinsurance operations respectively.

C) Underwriting risk

Long-term operations:

The statutory actuary reports annually on the actuarial soundness of the premium rates in use and the profitability of the business taking into consideration the reasonable benefit expectation of policyholders. All new rate tables are approved and authorised by the statutory actuary prior to being issued. Annual investigations into mortality and morbidity experience are conducted. All applications for risk cover in excess of specified limits are reviewed by experienced underwriters and evaluated against established standards. All risk-related liabilities in excess of specified monetary or impairment limits are reinsured.

Short-term and reinsurance operations:

The group limits its exposure to insurance risk through setting a clearly defined underwriting strategy and limits, adopting appropriate risk assessment techniques and the reinsurance/retrocession of risks that exceed its risk appetite. The group's underwriting strategy ensures diversification of insurance risk in terms of type and amount of risk covered, geographical location and type of industry covered. The strategy also aims to develop a sufficiently large population of risks to reduce the variability of the expected outcome. Ongoing review and analysis of underwriting information enables the group to monitor its risks and take timely corrective action.

D) Regulatory risks

Continuous legislation changes in the long-term, short-term and reinsurance environment may impact severely on the operational and financial structures within these businesses. The group has sufficient resources to address the impact of legislation timeously and efficiently.

During the development stage of any new product, rights and obligations of all parties are clearly defined in the contracts and documentation.

E) Financial risk

The group is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities.
In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, equity price risk, currency risk and credit risk. An investment committee sets policies and receives monthly and quarterly reports on compliance with investment policies.

The long-term insurance operations manage these positions within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the ALM framework is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to policyholders.

The short-term and reinsurance operations are exposed to daily calls on their available cash resources from claims arising. Liabilities are matched by appropriate assets and the operations have significant liquid resources to cover their obligations.

F) Concentration risk

Reinsurance operations:
The group has exposure to natural hazards and accumulation of risks exposed to these perils is monitored constantly. Retrocession protection is purchased to protect the group from this exposure. The retrocession programme also protects the group against per risk exposures and is structured to assist in mitigating the risk of individual large losses.

G) Credit risk

Fair values of financial assets may be affected by the creditworthiness of the issuer. Limits of exposure are set by the investment committee and are continuously monitored. Sales of products and services are made to customers with an appropriate credit history. The group has policies in place that limit the credit exposure to any institution and reputable reinsurers/retrocessionaires are used for the group's reinsurance treaties.

H) Currency risk

The group has collective investment schemes invested offshore that are denominated in foreign currencies. The currency risk is not hedged as the investments are mainly made on behalf of shareholders for the purpose of obtaining desirable international exposure to foreign currencies.

I) Significant accounting judgements and estimates

Long-term insurance operations:
Insurance liabilities in respect of long-term insurance contracts and investment contracts:
Valuation assumptions represent a best estimate. Prescribed margins are applied as required by the Long-Term Insurance Act and discretionary margins may be applied as required by the valuation methodology or if the statutory actuary considers such margins necessary to cover the risks inherent in the contracts. The valuation of investment contracts is linked to the fair value of the supporting assets.

Short-term insurance operations:
The estimation of the liability arising from claims under short-term insurance contracts is impacted on by several sources of uncertainty. The environment can change unexpectedly and the group is therefore constantly refining its short-term insurance risk management tools in order to assess risk appropriately.

Reinsurance operations:
Estimation of current premium income for which accounts have not been received is done per treaty as well as on a per risk basis for facultative risks. The basis for calculation of the claims expense is an estimation of claims frequency and claims amount. This is based on statistics derived from historical experience and assumptions of future changes expected. The degree of estimation risk varies according to class of business.

Annexure D – Analysis of the group's balance sheet and debt excluding Imperial Capital Limited

	Imperial Holdings Limited Rm 2007	Imperial Capital Limited Rm 2007	Group excluding Imperial Capital Limited Rm 2007
BALANCE SHEET			
ASSETS			
Intangible assets	1 238		1 238
Investments in associates and joint ventures	2 732		2 732
Property, plant and equipment	5 441		5 441
Transport fleet	2 789	795	1 994
Leasing assets	6 990	1803	5 187
Vehicles for hire	1 012	901	111
Deferred tax assets	450		450
Other investments and loans	2 793		2 793
Other non-current financial assets	842		842
Inventories	9 436		9 436
Taxation in advance	140	17	123
Trade and other receivables	8 883	54	8 829
Cash resources	2 788	11	2 777
Total assets	45 534	3 581	41 953
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	876		876
Shares repurchased and consolidated shares	(1 955)		(1 955)
Other reserves	1 203		1 203
Retained earnings	12 397	283	12 114
Attributable to Imperial Holdings' shareholders	12 521	283	12 238
Minority interest	946		946
Total shareholders' equity	13 467	283	13 184
Subordinated interest-bearing debt due to group company		780	(780)
Revised equity	13 467	1 063	12 404
Liabilities			
Non-redeemable, non-participating preference shares	441		441
Retirement benefit obligations	230		230
Interest-bearing borrowings	7 396	1500	5 896
Insurance and investment contracts	1 722		1 722
Deferred tax liabilities	1 196	116	1 080
Other non-current financial liabilities	13		13
Due to group companies		154	(154)
Provisions for liabilities and other charges	1 154		1 154
Trade and other payables	12 526	72	12 454
Current tax liabilities	940	23	917
Current portion of interest-bearing borrowings	6 449	653	5 796
Total liabilities	32 067	2 518	29 549
Total equity and liabilities	45 534	3 581	41 953
Total debt (including preference shares)	14 286	2 153	12 133
Less: cash	2 788	11	2 777
	11 498	2 142	9 356
Less: 75% of preference shares	331		331
Net debt as analysed by rating agencies	11 167	2 142	9 025
Revised equity	13 467	1 063	12 404
Plus: preference shares	331		331
Revised equity including 75% of preference shares	13 798	1 063	12 735
Net debt to equity			
– Preference shares treated as debt	85%	202%	75%
– Preference shares treated as equity	81%	202%	71%

The amounts reflected as transport fleet, leasing assets and vehicles for hire by Imperial Capital Limited are shown as a finance lease receivable in their published annual financial statements.

Annexure E – Summary of employment equity report analysis of South African workforce only

Description	2007	2006
Total workforce	37 402	32 978
Total employees with disabilities	109	61
Workforce profile		
Racial and gender profile		
Non-designated group	7 792	7 435
White females	4 964	4 739
Black males	19 729	16 928
Black females	4 917	3 876
	37 402	32 978
Occupation level profile		
Management	4 680	4 171
Non-management	32 722	28 807
	37 402	32 978
Management profile by gender		
Males	3 334	3 016
Females	1 346	1 155
	4 680	4 171
Non-management profile by gender		
Males	24 187	21 347
Females	8 535	7 460
	32 722	28 807
Management profile by race		
Whites	3 581	3 260
Designated groups	1 099	911
	4 680	4 171
Non-management profile by race		
Africans	17 969	14 828
Indians	1 842	1 636
Coloureds	3 736	3 429
Whites	9 175	8 914
	32 722	28 807
Workforce movement		
Total employees brought forward	32 978	27 640
Resignations	(1 113)	(988)
Dismissals	(812)	(136)
Retirements	(129)	(117)
Retrenchments	(791)	(574)
Engagements	7 269	7 153
Total employees at end of year	37 402	32 978
Summary of global workforce		
South African	37 402	32 978
Non-South African	6 390	6 434
Total workforce	43 792	39 412

Notice of annual general meeting

Imperial Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1946/021048/06)
Share code: IPL
ISIN: ZAE000067211
("Imperial" or "the Company")

Notice is hereby given that the 19th annual general meeting of shareholders will be held on Thursday, 1 November 2007 at 09:00 in the boardroom of Imperial Holdings Limited, Imperial Place, Jeppe Quondam, 79 Boeing Road East, Bedfordview to transact the following business and resolutions with or without amendments:

1 Ordinary resolution 1 – approval of the minutes of the last annual general meeting

"Resolved that the minutes of the annual general meeting held on 1 November 2006 are hereby approved as being correct."

These minutes will be available for inspection at the registered office of the company until 16:00 on Tuesday, 30 October 2007and 30 minutes immediately preceding the meeting.

2 Ordinary resolution 2 – approval of the financial statements

"Resolved that the annual financial statements that accompanied the notice of the annual general meeting be adopted and approved."

3 Ordinary resolution 3 – confirmation of the directors' remuneration

"Resolved that the directors' remuneration as disclosed on page 74 of the financial statements be hereby confirmed."

4 Ordinary resolution 4 – directors' general authority

"Resolved that any director of the company be and is hereby authorised to sign all such documents and do all such things as may be necessary for and incidental to, as the case may be, the implementation of the resolutions herein."

5 Ordinary resolution 5 – confirmation of newly appointed directors

"Resolved that the appointment of the following directors, who have been appointed during the year, in terms of the articles of association, be authorised and confirmed by a separate resolution in respect of each appointment:

5.1 OS Arbee
5.2 N Hoosen

6 Ordinary resolution 6 – re-appointment of retiring directors

"Resolved that the re-appointment of L Boyd, who retires having reached the age of 70 as prescribed in the articles, and of the following directors, who retire by rotation in terms of the articles of association, but being eligible, have offered themselves for re-election be authorised and confirmed by a separate resolution in respect of each re-appointment:

6.1 L Boyd
6.2 PL Erasmus
6.3 MJ Leeming
6.4 WG Lynch
6.5 A Tugendhaft

A brief curriculum vitae of each of the directors offering himself for re-election is contained on pages 4 and 5 of this annual report.

7 Ordinary resolution 7 – general authority to distribute to shareholders part of the company's share premium

"Resolved that, the directors of the company be hereby authorised, by way of a general authority, to distribute to shareholders of the company any share capital and reserves of the company in terms of Section 90 of the Companies Act, 61 of 1973, as amended ("the Act"), Article 16.2 of the company's articles of association and in terms of the listings requirements of the JSE ("the listings requirements"), it being recorded that the Listings Requirements currently require, *inter alia*, that the company may make a general distribution of share capital only if:

- the general authority shall be valid until the next annual general meeting of the company, provided that it shall not extend beyond 15 months from the passing of this ordinary resolution number 7;
- the general payment is made pro rata to all shareholders; and
- any general distribution of share premium by the company shall not exceed 20% of the company's issued share capital and reserves but excluding minority interests and revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months, in any one financial year, measured as at the beginning of such financial year.

The directors of the company confirm that the company will not distribute share premium in terms of this authority unless, after such distribution:

- the company, and the company and its subsidiaries ("the group") will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months after the date of the notice of the annual general meeting;
- the consolidated assets of the company and the group, fairly valued in accordance with the accounting policies used in the latest audited annual group financial statements, will exceed its consolidated liabilities for a period of 12 months after the date of the notice of the annual general meeting;
- the share capital and reserves of the company and the group will be adequate for ordinary business the purposes for a period of 12 months after the date of the notice of the annual general meeting ; and
- the working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting."

Reason and effect

The reason for and effect of ordinary resolution number 7 is to grant the board of directors of the company a general authority in terms of the Act, for the distribution of share capital by the company to its shareholders. Such general authority will provide the board with the flexibility, subject to the Act and the listings requirements to distribute any surplus capital of the company to its shareholders. This general approval shall be valid until its variation or revocation of such general authority by an ordinary resolution by any subsequent general meeting of the company, provided that the general authority shall not be extended beyond 15 months from the date of passing of this ordinary resolution.

8 Ordinary resolution number 8 – increase in non-executive directors' fees

"Resolved that the annual fees payable to non-executive directors for board and committee membership be increased with effect from 26 June 2007 as follows:

– Board	from R112 000 to R125 000;
– Chairman	from R224 000 to R310 000;
– Deputy chairman	from R125 000 to R220 000;
– Asset and liabilities committee	from R44 000 to R48 000;
– Audit committee	from R54 000 to R65 000;
– Risk committee	from R44 000 to R48 000;
– Remuneration and nomination committee	from R44 000 to R48 000.

Chairmen of the board and committees receive two and a half times the fee payable to a member."

9 Special resolution 1 – general authority to repurchase company shares

"Resolved that, the company, or a subsidiary of the company, be and is hereby authorised, by way of a general authority, to acquire ordinary shares of 4 cents each ("ordinary shares") issued by the company (including the conclusion of derivative transactions which may result in the purchase of shares), in terms of sections 85 and 89 of the Act and in terms of the listings requirements, it being recorded that the listings requirements currently require, *inter alia*, that the company may make a general repurchase of securities only if:

Notice of annual general meeting (continued)

- any such repurchase of ordinary shares is effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);
- authorised by the company's articles of association;
- the general authority shall be valid until the next annual general meeting of the company, provided that it shall not extend beyond 15 months from the passing of this special resolution number 1;
- when the company has cumulatively repurchased 3% of the number of ordinary shares in issue on the date of passing of special resolution number 1, and for each 3% thereof, in aggregate acquired thereafter, an announcement is published as soon as possible and not later than 08:30 on the business day following the day on which the relevant threshold is reached or exceeded, and the announcement complies with the requirements of the Listings Requirements;
- at any time, only one agent is appointed to effect any repurchase on the company's behalf;
- the company may undertake a repurchase of securities only if, after such repurchase, it still complies with shareholder spread requirements;
- the company or its subsidiary does not repurchase securities during a prohibited period;
- any general repurchase by the company of its own ordinary shares shall not, in aggregate in any one financial year exceed 20% of the company's issued ordinary shares as at the date of passing of this special resolution number 1; and
- in determining the price at which the ordinary shares issued by the company are acquired by it or its subsidiary in terms of this general authority, the maximum price at which such shares may be acquired will be 10% above the weighted average of the market value for such ordinary shares for the five business days immediately preceding the date of repurchase of such shares.

A general repurchase of the company's shares shall not be effected before the JSE has received written confirmation from the company's sponsor in respect of the directors' working capital statement. Furthermore, the company will consult the sponsor before:

- it repurchases more than 10% in terms of its general authority;
- it executes a repurchase that will result in the accumulated rand value of the repurchases from the date of the last authority being greater than 10% of the shareholders' equity at the date that the authority was obtained; or
- it repurchases securities and the financial position of the group has changed materially from the date when the sponsor first issued its written confirmation, in order for the sponsor to review the validity of its letter issued when the general authority was granted.

The company will only transact in derivative transactions relating to the repurchase of securities only if, with regard to the price of the derivative:

- the strike price of any put option written by the company less the value of the premium received by the company for that put option may not be greater than the fair value of a forward agreement based on a spot price not greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is effected;
- the strike price of any call option may be greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is effected at the time of entering into the derivative agreement, but the company may not exercise the call option if it is more than 10% "out the money"; and
- the strike price of the forward agreement may be greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is effected but limited to the fair value of a forward agreement calculated from a spot price not greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is effected.

The directors of the company confirm that no repurchase will be implemented in terms of this authority unless, after each such repurchase:

- the company, and the company and its subsidiaries ("the group") will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of the notice of the annual general meeting ;
- the consolidated assets of the company and the group, fairly valued in accordance with the accounting policies used in the latest audited annual group financial statements, will exceed its consolidated liabilities for a period of 12 months after the date of the notice of the annual general meeting;

- the share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting; and
- the working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting."

10 Special resolution 2 – Specific authority to repurchase company shares

"Resolved that the company, or a subsidiary of the company, be and is hereby authorised, by way of a specific authority, to purchase a maximum of 500 000 ordinary shares of 4 cents each held by or on behalf of the Imperial share schemes, that are unallocated to any specific participants ("ordinary shares") at the price that such shares were acquired by the Imperial share schemes in respect of each such ordinary share, which price shall not exceed R50 per share, in terms of sections 85 and 89 of the Act and in terms of the listings requirements.

This specific repurchase of company shares may only be affected if:
(a) the company's articles of association are authorised thereto;
(b) after such specific repurchase, it still complies with shareholder spread requirements; and
(c) the company or its subsidiary does not repurchase securities during a prohibited period.

The directors of the company confirm that this specific repurchase will not be implemented in terms of this authority unless, after each such repurchase:
- the company, and the group will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of the notice of the annual general meeting ;
- the consolidated assets of the company and the group, fairly valued in accordance with the accounting policies used in the latest audited annual group financial statements, will exceed its consolidated liabilities for a period of 12 months after the date of the notice of the annual general meeting;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting; and
- the working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting."

For the purposes of considering ordinary resolution number 7, special resolutions numbers 1 and 2, and in compliance with paragraph 11.26 (b) of the listings requirements, the information listed below has been included in the annual report, in which this notice of annual general meeting is included, at the places indicated:
- Directors and management of the company can be found on pages 4 and 5 of this report;
- Major shareholders of the company can be found on page 38 of this report;
- Directors' interest in the company can be found on page 102 of this report;
- Share capital of the company can be found on pages 100 and 101 of this report.

The directors, whose names are set out on pages 4 and 5 of this report, collectively and individually accept full responsibility for the accuracy of the information contained in these resolutions and certify that to the best of their knowledge and belief that there are no facts, the omission of which would make any statement false or misleading and that they have made all reasonable queries in this regard; and that there are no legal or arbitrage proceedings (including any such proceedings that are pending or threatened of which the company is aware), which may have or have had a material effect on the company's financial position over the last 12 months.

Shareholders are advised that the directors of the company will refrain from implementing special resolutions numbers and 2 and ordinary resolution number 7 until such time as the sponsor's letter has been lodged with the JSE.

Reason and effect

The reason for and effect of special resolutions numbers 1 and 2 is to grant the board of directors of the company general and specific authority in terms of the Act for the acquisition by the company or any subsidiary, of the company's ordinary shares. The general authority will provide the board with the flexibility, subject to the requirements of the Act to repurchase the company's shares should it be in the interest of the company at any time while the general authority exists. The general approval shall be valid until its variation or revocation of such general authority by special resolution by any subsequent general meeting of the company, provided that the general authority shall not be extended beyond 15 months from the date of passing of this special resolution. The specific authority will allow the board to repurchase securities held in the share purchase scheme that are not allocated to any specific participant.

Notice of annual general meeting (continued)

11 Ordinary resolution 9 – authority to issue non-redeemable preference shares

"Resolved that, in terms of the listings requirements and the Act, the authorised but unissued non-redeemable cumulative, non-participating preference shares be and are hereby placed under the control of the directors and the directors authorised to allot and issue those shares at their discretion."

12 To transact such other business as may be transacted at an annual general meeting of shareholders.

Proxy and voting procedure

Shareholders entitled to attend and vote at the general meeting may appoint a proxy to attend, speak and vote thereat in their stead. A proxy need not be a shareholder of the company.

Forms of proxy in which are set out the relevant instructions for their completion, are attached for the use of certificated shareholders and dematerialised shareholders with "own name" registration who wish to be represented at the general meeting. Completion of the relevant forms of proxy will not preclude such shareholders from attending and voting (in preference to those shareholders' proxies) at the general meeting.

Dematerialised shareholders, other than those with "own name registration" who wish to attend the annual general meeting, must inform the Central Securities Depositary Participant ("CSDP") or broker of their intention to attend the general meeting and obtain the necessary authorisation from their CSDP or broker.

Should they be unable to attend the general meeting, dematerialised shareholders, other than those with "own name" registration and who wish to be represented thereat, must contact their CSDP or broker as to how they wish to vote. This must be done in a manner and time stipulated in terms of the agreement entered into between such shareholder and the CSDP or broker.

The instrument appointing the proxy and the authority (if any) under which it is signed, must reach the company's transfer secretaries, Computershare Investor Services 2004 (Pty) Ltd, by no later than 09:00 on Tuesday, 30 October 2007.

By order of the board

RA Venter
Company secretary

28 August 2007

Form of proxy

Imperial Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1946/021048/06)
Share code: IPL
ISIN: ZAE000067211
("Imperial" or "the Company")

If you are a dematerialised shareholder, other than with "own name" registration, do not use this form. Dematerialised shareholders', other than with "own name" registration, instructions should be provided to their appointed CSDP or broker in the form stipulated in the custody agreement entered into between the shareholder and the CSDP or broker.

An ordinary shareholder entitled to attend and vote at the annual general meeting to be held in the boardroom of Imperial Holdings Limited, Imperial Place, Jeppe Quondam, 79 Boeing Road East, Bedfordview, Gauteng on Thursday, 1 November 2007 at 09:00 ("the AGM"), is entitled to appoint a proxy to attend, speak or vote thereat in his/her stead. A proxy need not be a shareholder of the company.

All forms of proxy must be lodged at the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, 11th Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by no later than 09:00 on Tuesday, 30 October 2007.

I/We _____

of _____

being an ordinary shareholder(s) of the company holding _____ ordinary shares in the company do hereby appoint

1 _____ or failing him/her

2 _____ or failing him/her

3 the chairman of the general meeting.

as my/our proxy to vote for me/our behalf at the AGM (and any adjournment thereof) for the purpose of considering and, if deemed fit, passing with or without modifications, the following resolution to be considered at the AGM.

	Number of Votes (one per share)		
	In favour of	Against	Abstain
1 Ordinary resolution 1 – Minutes			
2 Ordinary resolution 2 – Financial statements			
3 Ordinary resolution 3 – Directors' remuneration			
4 Ordinary resolution 4 – Directors' general authority			
5 Ordinary resolution 5.1 – Confirmation OS Arbee			
Ordinary resolution 5.2 – Confirmation N Hoosen			
6 Ordinary resolution 6.1 – Re-appointment L Boyd			
Ordinary resolution 6.2 – Re-appointment PL Erasmus			
Ordinary resolution 6.3 – Re-appointment MJ Leeming			
Ordinary resolution 6.4 – Re-appointment WG Lynch			
Ordinary resolution 6.5 – Re-appointment A Tugendhaft			
7 Ordinary resolution 7 – Capital distribution			
8 Ordinary resolution 8 – Directors' fees			
9 Special resolution 1 – General authority to repurchase company shares			
10 Special resolution 2 – Specific authority to repurchase company shares			
11 Ordinary resolution 9 – Authority over unissued preference shares			

Insert an X in the appropriate block. If no indications are given, the proxy will vote as he/she deems fit. Each shareholder entitled to attend and vote at the meeting may appoint one or more proxies (who need not be a shareholder of the company) to attend, speak and vote in his/her stead.

Please read the notes on the reverse side hereof.

Signed at _____ on _____ 2007

Signature _____

Assisted by (where applicable) _____

Notes to the form of proxy

1 A shareholder may insert the names of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the meeting", but any such deletion must be initialed by the shareholder. The person whose name appears first on the proxy and which has not been deleted shall be entitled to act as proxy to the exclusion of those whose names follows.

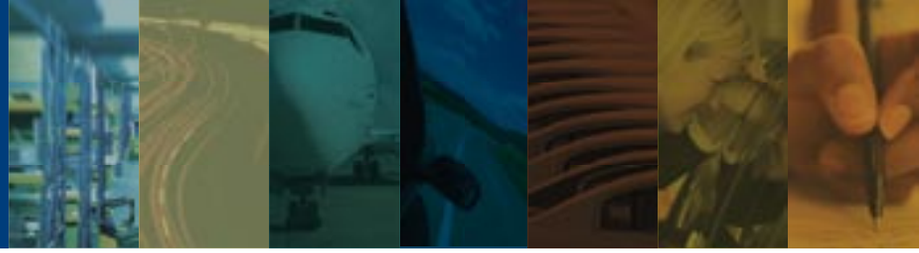
2 The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless that authority has already been recorded with the company's transfer secretaries.

3 Proxies must be lodged at or posted to the company's transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, 11th Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received by no later than 09:00 on Tuesday, 30 October 2007.

4 The completion and lodging of this proxy shall not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

5 The chairman of the meeting may reject or accept a proxy which is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.

Corporate information



Non-executive directors

L Boyd (chairman)*, CEng FIM (UK)
PL Erasmus*
P Langeni*, BCom (Acc)
MJ Leeming*, BCom, MCom, FCMA, FIBSA, AMP
WG Lynch (Irish)
JR McAlpine*, BSc, CA
PJ Molefe, PhD (Hon)
VJ Mokoena, BA
MV Moosa, BSc
CE Scott
MV Sisulu, MA, MPA
RJA Sparks*, BCom, CA(SA), MBA
A Tugendhaft, BA, LLB
Y Waja, BCom, CA(SA)

*Independent

Executive directors

HR Brody (chief executive), BAcc (Hons), CA(SA)
OS Arbee, BAcc, CA(SA), HDipTax
MP de Canha
RL Hiemstra, BCompt (Hons)
WS Hill, HN Dip (Ind Eng), AEP
N Hoosen, BCompt, MBA
AH Mahomed, BCompt (Hons), CA(SA), HDip Tax
GW Riemann (German)

Executive committee

HR Brody (chairman), OS Arbee, MP de Canha, RL Hiemstra, WS Hill, N Hoosen, AH Mahomed, M Swanepoel

Audit committee

MJ Leeming (chairman), P Langeni, RJA Sparks, A Tugendhaft, Y Waja

Remuneration and nomination committee

L Boyd (chairman), P Langeni, JR McAlpine, MJ Leeming, RJA Sparks, A Tugendhaft, Y Waja

Risk committee

A Tugendhaft (chairman), E Clarke, M Dickinson, RL Hiemstra, VJ Mokoena

Assets and liabilities committee

HR Brody (chairman), RL Hiemstra, WS Hill, MJ Leeming, AH Mahomed, R Mumford, WF Reitsma

Group internal audit executive

P Mnxasana, BCom, CA(SA)

Company secretary

RA Venter, BCom, LLM

Business address and registered office

Imperial Place
Jeppe Quondam
79 Boeing Road East
Bedfordview 2007

Postal address

PO Box 3013
Edenvale 1610

Telephone +27 (0)11 372 6500
Facsimile +27 (0)11 372 6550

Name and registration number

Imperial Holdings Limited
1946/021048/06

Share transfer secretaries

Computershare Investor Services 2004 (Pty) Limited
70 Marshall Street
Johannesburg 2001

Postal address

PO Box 61051
Marshalltown 2107

Telephone +27 (0)11 370 5000
Facsimile +27 (0)11 370 5487

Contact person for sustainability

RA Venter

Telephone + 27 (0)11 372 6500
E-mail rventer@ih.co.za

Website

www.imperial.co.za

E-mail

mail@imperial.co.za

JSE Limited information

Ordinary share code: IPL
ISIN: ZAE000067211
Preference share code: IPLP
ISIN: ZAE000088076

Shareholders' diary

Annual General Meeting	November 2007
Interim results released	February 2008
Interim distribution	April 2008
Final results released	August 2008
Final distribution	October 2008

QIM Q1081

Imperial Holdings

www.imperial.co.za