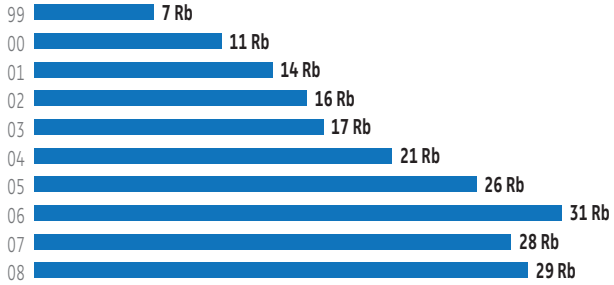
Imperial Holdings Limited

Unaudited results for the half-year ended 31 December 2008

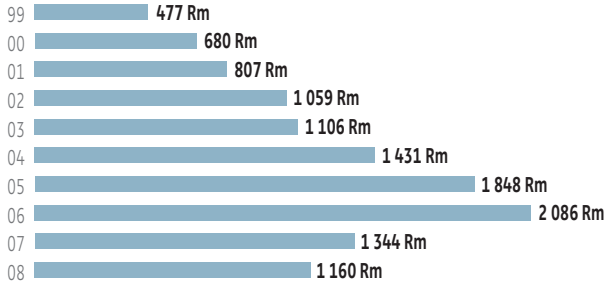
Imperial Holdings

Imperial Holdings Limited (Registration number: 1946/021048/06)
Ordinary share code: IPL ISIN: ZAE000067211
Preference share code: IPLP ISIN: ZAE000088076

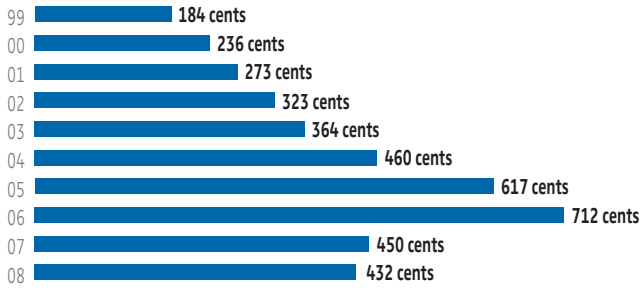
REVENUE*



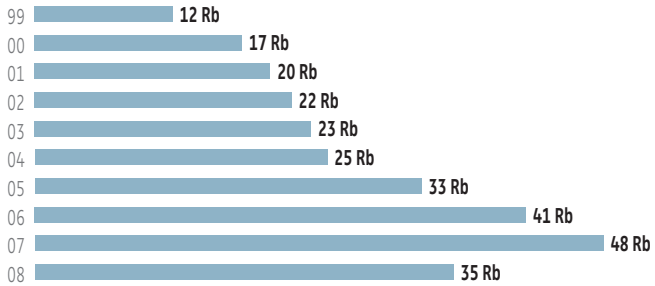
PRE-TAX PROFITS*



HEADLINE EARNINGS PER SHARE*



TOTAL ASSETS†



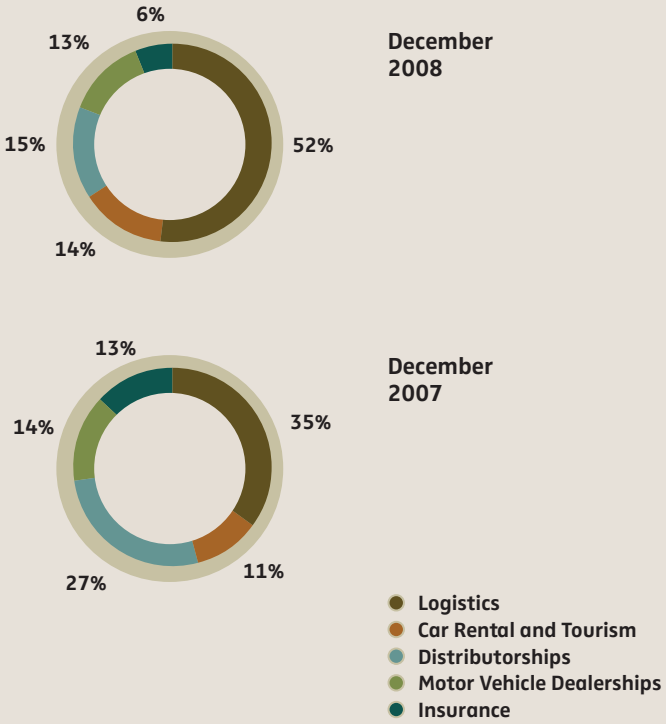
*2007 and 2008 for continuing operations only

†2008 after unbundling of Leasing and Capital Equipment division.

Highlights

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

Divisional operating profit



Overview of results

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

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

HEPS include a foreign exchange gain of R394 million (212 cents per share) which was earned from the repatriation of capital from our European operations. Excluding the effect of this item, continuing HEPS would have been 51,1% lower than the previous period. The decline stemmed primarily from the motor vehicle retailing operations and declines in the market value of the equity portfolios of the insurance division.

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

Revenue was 2,1% higher at R28,6 billion, although the combined motor retail businesses posted a 6,5% reduction in revenue and the combined logistics operation increased revenue by 17,4%. The operating margin from continuing operations declined from 5,9% to 4,0%, mainly due to the vehicle retailing operations, which contributed 58% of group revenue, but only 29% of group operating profit. Operating margins in logistics were largely maintained while margins in the car rental division were slightly down.

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

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

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

- The current period included the profit on the disposal of Tourvest of R485 million (261 cents),
- A loss of R217 million (117 cents) on the disposal of ordinary shares in Eqstra which were received on the unbundling of Eqstra in respect of Imperial treasury shares.
- Inclusion in the comparative period of a provision for losses on the sale of the bulk of the aviation division of R848 million (456 cents), and
- A provision for losses on the discontinuation of the commercial vehicle assembly and distribution business, Commercial Vehicle Holdings (CVH) of R690 million (371 cents).

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

Business conditions in our markets

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

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

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

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

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

Discontinued operations

Major restructuring was undertaken during 2008 and was concluded during the period with the sale of the aviation division becoming unconditional. Discontinued operations now consist of the remaining gross assets of the aviation division and CVH of R852 million and R626 million respectively. Since June 2008 gross aviation assets reduced by R626 million and assets in CVH by R726 million. The investment in and loan to Tourvest were sold and collected. Liabilities associated with discontinued operations reduced by R1 717 million to R640 million. We expect that by the end of the financial year, the sale of the CVH assets will be close to completion and that a further approximately R150 million of the aviation assets will have been sold or realised. The balance of the aviation assets will be realised over the next five years. Acceptable returns are being earned on the carrying values of the remaining aviation assets.

Balance sheet

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

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

Cash flow

Cash generated by operations more than doubled to R2 381 million which included R2 030 million from continuing operations. The improvement can mainly be attributed to better working capital management. A further R1 340 million in cash was received from the sale of Tourvest and the aviation division.

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

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

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

Vehicle sales

In southern Africa, the group retailed 29 005 new and 26 069 used vehicles, respectively 65,5% and 81,4% of last year's sales. The closure of several used car dealerships contributed to the decline in used vehicle sales. The group further sold 7 111 new vehicles to outside dealers as a distributor, a 26,6% decrease over last year. The Australian, Swedish and United Kingdom operations sold 6 295 new and 2 162 used vehicles, respectively 106,8% and 87,3% of last year's sales.

Expansion of the group during the year

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

Divisional reports

Logistics

Southern African Logistics

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

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

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

Capital expenditure in the division was lower than last year and working capital management has improved.

International Logistics

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

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

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

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

Car Rental and Tourism

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

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

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

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

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

Distributorships

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

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

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

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

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

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

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

Dealerships

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

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

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

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

The performance of the commercial vehicle segment was good, where we expanded capacity. Medium and heavy commercial vehicle sales held up well in the first half of the period. However, sales also began to decline later in the period.

The DAF and LDV truck dealerships in the UK are under close scrutiny as that economy is currently being hard hit by the credit crunch. DAF is the leading commercial vehicle brand in Europe.

The Nissan dealerships in Sweden performed satisfactorily.

Insurance

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

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

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

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

At our previous reporting date we indicated that the recovery of our insurance division will take some time. We are satisfied with the progress made subsequent

to the restructuring of this business and after the merger of the two entities. Restructuring costs were incurred during the period, but we expect long term savings to be achieved.

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

Skills development and corporate social investment

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

Driver training, health and road safety is of paramount importance to our group because we are significant users of our roads. Through our associate company Ikaheng, we train approximately 370 drivers per annum. We project manage and sponsor a large number of roadside wellness centres and mobile clinics throughout southern Africa.

The Imperial Ukhamba Community Development Trust is the group's flagship community development initiative focusing on primary education in poor areas. It supports three schools in under-privileged parts of Gauteng and has spent over R11 million at these schools. The projects have achieved significant progress in terms of numeracy and supports 3 300 learners in terms of curriculum development, textbooks, teacher training and the construction of much needed infrastructure.

Dividend

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

Strategic intentions

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

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

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

Prospects

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

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

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

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

When normality returns to global financial markets and the real economy, Imperial will be well positioned to take early advantage of an upswing, as our cost base has been well trimmed without the loss of operating capacity.

In view of the aforesaid, we believe that the second half of our financial year will be more difficult than the first half.

Forward looking statements

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

By order of the board

T Gcabashe, Chairman
H Brody, Chief Executive
AH Mahomed, Financial Director

Declaration of distributions

Preference shareholders and ordinary shareholders

Notice is hereby given that:

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

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

	2009
Last day for preference shares and ordinary shares respectively to trade cum preference dividend and cum ordinary dividend respectively	Friday, 20 March
Preference and ordinary shares commence trading ex preference dividend and ex ordinary dividend respectively	Monday, 23 March
Record date	Friday, 27 March
Payment date	Monday, 30 March

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

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

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

Preferred ordinary shareholders (unlisted)

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

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

On behalf of the board

RA Venter
Group Company Secretary

25 February 2009

Condensed income statement

for the six months ended December	Unaudited 31 Dec 2008 Rm	Unaudited and restated 31 Dec 2007 Rm	% change	Audited 30 Jun 2008 Rm
CONTINUING OPERATIONS				
Revenue	**28 619**	28 026	2	55 927
Net operating expenses	**(26 824)**	(25 867)		(51 849)
Profit from operations before depreciation and recoupments	**1 795**	2 159		4 078
Depreciation, amortisation and recoupments	**(640)**	(515)		(1 086)
Operating profit	**1 155**	1 644	(30)	2 992
Foreign exchange gains	**470**	14		145
Fair value (losses) gains to foreign exchange derivatives	**(47)**	7		1
Fair value losses on other financial instruments		(83)		(496)
Exceptional items	**(246)**	39		1
Profit before net financing costs	**1 332**	1 621	(18)	2 643
Net finance cost	**(505)**	(321)		(807)
Income from associates and joint ventures	**87**	83		278
Profit before taxation	**914**	1 383	(34)	2 114
Income tax expense	**246**	390		707
Profit from continuing operations	**668**	993	(33)	1 407
DISCONTINUED OPERATIONS	**556**	(1 308)		(1 920)
– Trading (loss) profit from operations	**(4)**	274		349
– Fair value profit (loss) on discontinuation	**560**	(1 582)		(2 269)
Net profit (loss) for the period	**1 224**	(315)		(513)
Attributable to:				
Equity holders of Imperial Holdings Limited	**1 155**	(500)		(870)
Minority interest – continuing operations	**68**	85		162
Minority interest – discontinued operations	**1**	100		195
	1 224	(315)		(513)
Earnings per share	**Cents**	Cents		Cents
Ordinary shares				
Basic				
– Total	**602**	(290)		(510)
– Discontinued operations	**299**	(758)		(1 139)
– Continuing operations	**303**	468	(35)	629
Diluted				
– Total	**558**	(246)		(420)
– Discontinued operations	**268**	(695)		(1 020)
– Continuing operations	**290**	449	(35)	600
Preferred ordinary shares				
– Basic	**268**	268		535
Headline earnings reconciliation – continuing and discontinued operations	**Rm**	Rm		Rm
Attributable profit (loss)	**1 155**	(500)		(870)
Attributable to preferred ordinary shareholders	**(39)**	(39)		(78)
Attributable to ordinary shareholders	**1 116**	(539)		(948)
Profit on disposal of property, plant and equipment	**(6)**	(33)		(24)
Impairment of property, plant and equipment	**7**	4		5
Exceptional items – continuing operations	**246**	(39)		(1)
Exceptional items included in income from associates				6
Exceptional items – discontinued operations	**(650)**	1 864		2 605
Taxation	**90**	(262)		(310)
Minorities	**(2)**			
Headline earnings – basic	**801**	995		1 333
Attributable to preferred ordinary shareholders	**39**	39		78
Headline earnings – diluted	**840**	1 034		1 411
Headline earnings per share	**cents**	cents		cents
Basic				
– Total	**432**	536	(19)	718
– Discontinued operations		86		103
– Continuing operations	**432**	450	(4)	615
Diluted				
– Total	**406**	510	(20)	680
– Discontinued operations	**1**	78		92
– Continuing operations	**405**	432	(6)	588
Additional information				
Net asset value per share (cents)	**4 959**	5 544		4 732
Number of ordinary shares (million)				
– in issue	**188**	189		188
– weighted average	**185**	186		186
– weighted average for diluted earnings	**207**	203		207
Number of other shares in issue (million)				
– Preferred ordinary	**15**	15		15
– Deferred ordinary	**17**	17		17
Net finance cost	**Rm**	Rm		Rm
Net interest paid	**443**	330		848
Foreign exchange loss on monetary items	**133**	50		376
Fair value gains on borrowings and interest rate swaps	**(71)**	(59)		(417)
Net finance cost – continuing operations	**505**	321		807
Net finance cost – discontinued operations	**85**	380		660
Exceptional items – continuing operations	**Rm**	Rm		Rm
Impairment of goodwill	**(15)**			(47)
(Loss) profit on disposal of investments in subsidiaries, associates and joint ventures	**(14)**	39		48
Loss on sale of Eqstra shares	**(217)**			
	(246)	39		1
Exceptional items – discontinued operations	**Rm**	Rm		Rm
Profit on sale of Tourvest	**575**			
Fair value gain (loss) on Aviation disposal group	**75**	(848)		(1 341)
Fair value loss on CVH disposal group		(972)		(972)
Goodwill impairment		(44)		
Net loss on sale of subsidiaries				(292)
Taxation	**(90)**	282		336
Fair value profit (loss) on discontinuation	**560**	(1 582)		(2 269)

Condensed balance sheet

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

Condensed cash flow statement

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

Condensed statement of changes in equity

for the six months ended December	Share capital and premium Rm	Shares repurchased Rm	Other reserves Rm	Retained earnings Rm	Minority interest Rm	**Unaudited 31 Dec 2008 Rm**	Unaudited 31 Dec 2007 Rm	Audited 30 Jun 2008 Rm
Balance at 30 June 2008	10	(1 816)	1 273	10 138	811	**10 416**	13 467	13 467
Net (losses) gains arising on translation of foreign operations			(287)		(2)	**(289)**	(30)	234
Movement in hedge accounting reserve			53		(4)	**49**	(32)	30
Realisation of reserves on disposal of assets			115			**115**		
Transfer of reserves on disposal of assets			(242)	242				
Net unrealised gains on investments								167
Revaluation of Lereko Mobility call option			19			**19**		(238)
Share option hedging cost			(135)			**(135)**	4	(62)
Net (losses) profits not recognised in the income statement			(477)	242	(6)	**(241)**	(58)	131
Net attributable profit (loss) for the period				1 155		**1 155**	(500)	(870)
Minority share of attributable profits					69	**69**	185	357
Net decrease in minority interest					(276)	**(276)**	(3)	
Contingency reserve created in terms of the Insurance Act			6	(6)				
Unbundling of the Leasing and Capital Equipment division								(1 722)
Movement in share-based equity			32			**32**		(5)
Purchase of ordinary shares							(104)	(109)
Share issue expenses							(1)	(1)
Dividends and capital distributions				(500)		**(500)**	(570)	(607)
Minority share of dividends					(55)	**(55)**	(113)	(225)
Balance at 31 December 2008	**10**	**(1 816)**	**834**	**11 029**	**543**	**10 600**	**12 303**	**10 416**

Notes to the condensed consolidated financial statements

1. Basis of preparation

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

The accounting policies are consistent with those of the previous financial period and comply with International Financial Reporting Standards (IFRS).

These financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements as at and for the period ended 30 June 2008.

These financial statements have not been reviewed or audited by the group’s auditors.

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

2. Discontinued operations

The following have been identified as disposal groups:

- Aviation division, excluding NAC, sale concluded in December 2008
- Assets of Commercial Vehicle Holdings (CVH) are being realised
- Tourvest, a previously JSE-listed entity, was disposed of in September 2008
- Leasing and Capital Equipment division, was unbundled in May 2008
- Imperial Multiparts (UK), was disposed of in May 2008

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

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

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

Material acquisitions

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

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

Segment information – balance sheet

at 31 December	Group 31 Dec 2008 Rm	Group Restated 31 Dec 2007 Rm	Logistics 31 Dec 2008 Rm	Logistics 31 Dec 2007 Rm	Car Rental and Tourism 31 Dec 2008 Rm	Car Rental and Tourism 31 Dec 2007 Rm
BUSINESS SEGMENTATION – CONTINUING OPERATIONS						
Assets						
Intangible assets	**1 084**	936	**736**	657	**1**	82
Investments, loans, associates and joint ventures	**3 468**	4 132	**119**	69	**4**	4
Property, plant and equipment	**6 025**	5 122	**1 992**	1 526	**187**	146
Transport fleet	**3 722**	3 136	**3 785**	3 204		
Leasing assets	**329**	339				
Vehicles for hire	**1 472**	1 449			**1 482**	1 453
Other non-current financial assets	**367**	881				
Inventories	**6 052**	6 077	**103**	96	**291**	307
Trade and other receivables	**6 834**	7 369	**3 975**	4 294	**259**	240
Cash in financial services businesses	**1 560**	1 110				
Operating assets	**30 913**	30 551	**10 710**	9 846	**2 224**	2 232
Deferred tax assets	**526**	504				
Loans to associates and other investments	**621**	590				
Taxation in advance	**97**					
Cash and cash equivalents	**1 600**	1 311				
Assets classified as held for sale	**1 478**	14 812				
Total assets per balance sheet	**35 235**	47 768				
Liabilities						
Retirement benefit obligations	**310**	239	**310**	239		
Insurance and investment contracts	**1 529**	1 604				
Accounts payable and provisions	**9 387**	9 476	**3 714**	3 721	**365**	404
Other non-current financial liabilities	**83**	91	**27**			
Non-interest-bearing liabilities	**11 309**	11 410	**4 051**	3 960	**365**	404
Non-redeemable, non-participating preference shares	**441**	441				
Interest-bearing borrowings	**11 064**	12 181				
Deferred tax liabilities	**573**	624				
Current tax liabilities	**608**	922				
Liabilities directly associated with assets held for sale	**640**	9 887				
Total liabilities per balance sheet	**24 635**	35 465				
GEOGRAPHIC SEGMENTATION – CONTINUING OPERATIONS						
Operating assets	**30 913**	30 551	**10 710**	9 846	**2 224**	2 232
– South Africa	**23 913**	24 822	**6 326**	6 567	**2 190**	2 180
– Rest of Africa	**1 064**	1 002	**246**	224	**34**	52
– Rest of world	**5 936**	4 727	**4 138**	3 055		
Non-interest-bearing liabilities	**11 309**	11 410	**4 051**	3 960	**365**	404
– South Africa	**8 416**	8 910	**2 407**	2 614	**344**	388
– Rest of Africa	**578**	523	**64**	67	**21**	16
– Rest of world	**2 315**	1 977	**1 580**	1 279		
Interest-bearing borrowings	**11 064**	12 181	**3 398**	2 271	**962**	737
– South Africa	**6 085**	8 667	**1 921**	1 286	**962**	745
– Rest of Africa	**202**	197	**113**	100		(8)
– Rest of world	**4 777**	3 317	**1 364**	885		
Gross capital expenditure	**1 855**	2 604	**587**	663	**653**	904
– South Africa	**1 575**	2 300	**328**	469	**650**	900
– Rest of Africa	**57**	35	**53**	30	**3**	4
– Rest of world	**223**	269	**206**	164		
Gross capital expenditure	**1 855**	2 604	**587**	663	**653**	904
Less: Proceeds on disposal	**(682)**	(831)	**(116)**	(92)	**(290)**	(318)
Net capital expenditure	**1 173**	1 773	**471**	571	**363**	586

*Distributorships has been restated to exclude Imperial Multiparts (UK).

The Leasing and Capital Equipment division has been excluded for December 2007.

Distributorships		Motor Vehicle Dealerships		Insurance		Head Office and Eliminations	
31 Dec 2008 Rm	31 Dec* 2007 Rm	**31 Dec 2008 Rm**	31 Dec 2007 Rm	**31 Dec 2008 Rm**	31 Dec 2007 Rm	**31 Dec 2008 Rm**	31 Dec 2007 Rm
97	28	**183**	60	**22**	15	**45**	94
200	173	**8**	9	**1 501**	1 880	**1 636**	1 997
1 871	1 653	**1 739**	1 480	**73**	161	**163**	156
						(63)	(68)
332	347					**(3)**	(8)
						(10)	(4)
20				**222**	493	**125**	388
3 438	3 304	**2 257**	2 438			**(37)**	(68)
911	1 420	**1 101**	1 068	**547**	526	**41**	(179)
				1 560	1 110		
6 869	6 925	**5 288**	5 055	**3 925**	4 185	**1 897**	2 308
				1 515	1 582	**14**	22
2 447	2 414	**1 653**	1 861	**1 106**	1 128	**102**	(52)
30						**26**	91
2 477	2 414	**1 653**	1 861	**2 621**	2 710	**142**	61
6 869	6 925	**5 288**	5 055	**3 925**	4 185	**1 897**	2 308
6 140	6 203	**4 349**	4 070	**3 188**	3 515	**1 720**	2 287
46	50			**737**	670	**1**	6
683	672	**939**	985			**176**	15
2 477	2 414	**1 653**	1 861	**2 621**	2 710	**142**	61
2 328	2 288	**1 233**	1 441	**2 165**	2 292	**(61)**	(113)
26	18			**456**	418	**11**	4
123	108	**420**	420			**192**	170
1 921	1 858	**1 871**	1 630			**2 912**	5 685
1 424	1 260	**1 634**	1 239			**144**	4 137
81	85					**8**	20
416	513	**237**	391			**2 760**	1 528
385	749	**181**	265	**17**	21	**32**	2
381	662	**168**	246	**17**	21	**31**	2
						1	1
4	87	**13**	19				(1)
385	749	**181**	265	**17**	21	**32**	2
(255)	(392)	**(15)**	(22)	**(4)**	(1)	**(2)**	(6)
130	357	**166**	243	**13**	20	**30**	(4)

Segment information – income statement

for the six months ended December	Continuing operations 31 Dec 2008 Rm	Restated 31 Dec 2007 Rm	Logistics 31 Dec 2008 Rm	31 Dec 2007 Rm	Car Rental and Tourism 31 Dec 2008 Rm	31 Dec 2007 Rm
BUSINESS SEGMENTATION – CONTINUING OPERATIONS						
Revenue						
– Sales of goods	**15 282**	16 939	**378**	535	**447**	483
– Rendering of services	**11 968**	9 843	**9 545**	7 763	**874**	853
– Gross premiums received	**1 314**	1 193				
– Other	**55**	51	**56**	46		
	28 619	28 026	**9 979**	8 344	**1 321**	1 336
Intersegment revenue			**15**	172	**16**	26
	28 619	28 026	**9 994**	8 516	**1 337**	1 362
Operating expenses including cost of sales	**26 835**	25 940	**9 033**	7 691	**1 010**	1 032
Investment income	**(121)**	(78)	**(2)**			
Fair value gains on investments	**110**	5				
Depreciation and amortisation	**657**	529	**360**	285	**164**	145
Recoupments	**(17)**	(14)	**(19)**	(15)		(1)
Operating profit	**1 155**	1 644	**622**	555	**163**	186
Foreign exchange gains (losses)	**470**	14		(1)		
Fair value (losses) gains on foreign exchange derivatives	**(47)**	7				
Fair value losses on other financial instruments		(83)				
Profit before net financing costs and exceptional items	**1 578**	1 582	**622**	554	**163**	186
Net finance costs	**(505)**	(321)	**(102)**	(54)	**(44)**	(30)
Income from associates and joint ventures	**87**	83	**15**	20		
Profit before taxation and exceptional items	**1 160**	1 344	**535**	520	**119**	156
GEOGRAPHIC SEGMENTATION – CONTINUING OPERATIONS						
Revenue	**28 619**	28 026	**9 994**	8 516	**1 337**	1 362
– South Africa	**20 284**	20 920	**5 049**	4 405	**1 243**	1 291
– Rest of Africa	**702**	538	**259**	213	**94**	71
– Rest of World	**7 633**	6 568	**4 686**	3 898		
Operating profit	**1 155**	1 644	**622**	555	**163**	186
– South Africa	**823**	1 370	**396**	351	**148**	180
– Rest of Africa	**87**	63	**22**	17	**15**	6
– Rest of World	**245**	211	**204**	187		
Net finance costs	**505**	321	**102**	54	**44**	30
– South Africa	**451**	285	**94**	62	**45**	30
– Rest of Africa	**9**	9	**6**	5	**(1)**	
– Rest of World	**45**	27	**2**	(13)		

*Distributorships has been restated to exclude Imperial Multiparts (UK).

The Leasing and Capital Equipment division has been excluded for December 2007.

Distributorships		Motor Vehicle Dealerships		Insurance		Head Office and Eliminations	
31 Dec 2008 Rm	31 Dec* 2007 Rm	**31 Dec 2008 Rm**	31 Dec 2007 Rm	**31 Dec 2008 Rm**	31 Dec 2007 Rm	**31 Dec 2008 Rm**	31 Dec 2007 Rm
6 232	7 061	**8 226**	8 861			**(1)**	(1)
682	464	**829**	728	**5**	6	**33**	29
				1 314	1 193		
	2					**(1)**	3
6 914	7 527	**9 055**	9 589	**1 319**	1 199	**31**	31
147	227	**441**	369	**135**	118	**(754)**	(912)
7 061	7 754	**9 496**	9 958	**1 454**	1 317	**(723)**	(881)
6 801	7 256	**9 296**	9 694	**1 370**	1 178	**(675)**	(911)
(1)				**(117)**	(78)	**(1)**	
				110	5		
78	71	**49**	40	**14**	10	**(8)**	(22)
1			1			**1**	1
182	427	**151**	223	**77**	202	**(40)**	51
29	14			**1**		**440**	1
3						**(50)**	7
							(83)
214	441	**151**	223	**78**	202	**350**	(24)
(100)	(95)	**(91)**	(83)		5	**(168)**	(64)
4	(87)	**(2)**	1	**1**		**69**	149
118	259	**58**	141	**79**	207	**251**	61
7 061	7 754	**9 496**	9 958	**1 454**	1 317	**(723)**	(881)
5 592	6 493	**7 956**	8 468	**1 171**	1 144	**(727)**	(881)
65	82			**283**	173	**1**	(1)
1 404	1 179	**1 540**	1 490			**3**	1
182	427	**151**	223	**77**	202	**(40)**	51
142	431	**145**	195	**25**	159	**(33)**	54
(2)	(4)			**52**	43		1
42		**6**	28			**(7)**	(4)
100	95	**91**	83		(5)	**168**	64
78	78	**82**	74		(5)	**152**	46
4	4						
18	13	**9**	9			**16**	18

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Non-executive directors

TS Gcabashe (Chairman), S Engelbrecht, P Langeni, MJ Leeming, JR McAlpine, MV Moosa, MV Sisulu, RJA Sparks, A Tugendhaft (Deputy Chairman), Y Waja

Executive directors

HR Brody (Chief Executive), OS Arbee, MP de Canha, RL Hiemstra, AH Mahomed, GW Riemann (German)

Company Secretary

RA Venter

Business address and registered office

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

Share transfer secretaries

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

Sponsor

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

Imperial Holdings

The results announcement is available on the Imperial Holdings website:
www.imperial.co.za