Imperial Holdings

Creating value through mobility

Imperial Holdings Limited

Annual Report 2005

Imperial today is a powerful force in the wider transportation and mobility markets in southern Africa, Australia, Europe and the United Kingdom. The group's activities in these markets encompass a wide range of related sales and services:

- ✓ *Integrated logistics solutions, combining asset ownership and intellectual capital*
- ✓ *Fleet management*
- ✓ *Vehicle and forklift leasing*
- ✓ *Aviation operations, sales and leasing*
- ✓ *Car rental and tourism*
- ✓ *Motor vehicle importation, dealership sales and after-sales services*
- ✓ *Mobility-related financial services, namely banking and insurance*

While these services combine to facilitate maximum synergy between business entities, a decentralised management structure engenders industry best practice. Management is empowered to develop each business to its own unique requirements while extracting the maximum synergistic value from being part of the greater Imperial group.

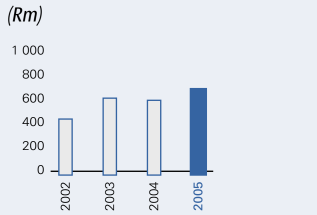
Imperial Holdings

www.imperial.co.za

Imperial at a Glance

Logistics

Operating profit



Overview

Imperial Logistics is the largest land-based logistics provider in southern Africa, providing integrated solutions to a broad range of blue-chip customers. Imperial Logistics International is a significant player in the operation of intermodal logistics solutions in Europe, with a focus on waterway transportation, terminal operations and contract logistics services.

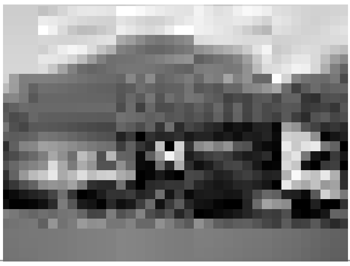
Operating features

- Strong performance in Europe against difficult macro background.
- Solid performance in South Africa despite industrial action and rising fuel prices.

Outlook

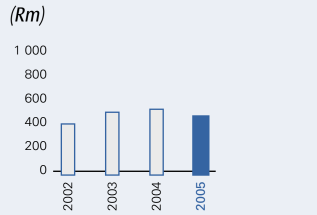
We expect another solid performance from this division in the year ahead, driven by good economic conditions in South Africa and improved conditions in Europe. The rising oil price may impact on future performance though.

	2005 Rm	2004 Rm
Revenue	**12 721**	11 576
Operating profit	**698**	600
Operating assets	**6 912**	6 229
Employees	**15 136**	14 416
Fleet size		
– vehicles	**4 765**	4 832
– barges	**125**	123



Leasing and Fleet Management

Operating profit



Overview

The leasing division is a large player in the leasing and fleet services for passenger and commercial vehicles and forklifts to public and private sector customers in southern Africa and the United Kingdom. The disposal of fleet vehicles through the division's own network is an important new part of the division.

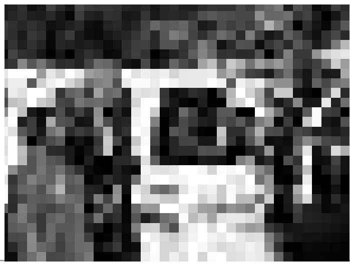
Operating features

- Our leasing fleet expanded by 12% in a flat market.
- The low interest rate environment and start-up costs on new contracts affected profits.

Outlook

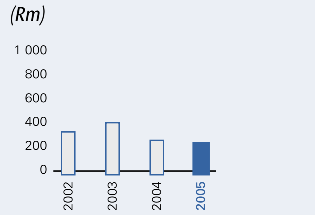
We expect subdued industry conditions to continue. We are hopeful of securing an important contract with the South African government for a further term. We remain focused on the significant opportunities outsourcing trends offer us in this business.

	2005 Rm	2004 Rm
Revenue	**2 569**	2 240
Operating profit	**469**	525
Operating assets	**3 885**	3 209
Employees	**1 644**	1 515
Fleet size	**26 960**	24 005



Aviation

Operating profit



Overview

The group's aviation interests provide value-added leasing solutions to cargo and passenger airlines and freight integrators, operate a fleet of aircraft ideally suited for specialised operations and distribute a broad range of general aviation aircraft, business jets and helicopters. We place much emphasis on providing high value-add solutions to our blue-chip customer base.

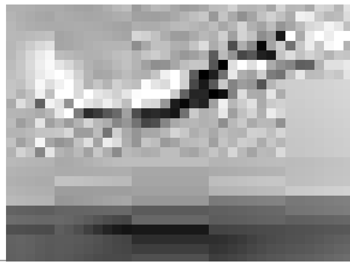
Operating features

- A continued strong trading performance was impacted by the strong rand.
- We made further progress towards growing the value-added component of our product offering.

Outlook

This business remains a hedge against a weaker currency and its fortunes are closely tied to movements in the exchange rate. Under a stable currency environment we expect an improvement in the trading performance.

	2005 Rm	2004 Rm
Revenue	**2 699**	2 442
Operating profit	**243**	263
Operating assets	**4 459**	3 796
Employees	**1 227**	971
Fleet size	**130**	105



Car Renta

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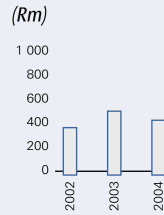

The group is one of
in the southern Afri
tourism industry.
players in the corpo
local tourism segr
rental industry via
interests as well
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business disposes
vehicles through a

Ope

- A strong perforr
rental interest i
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- The tourism b
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We are optimistic a
for this division. C
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Revenue
Operating profit
Operating assets
Employees
Fleet size

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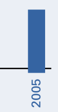
perating profit



Overview

the largest players
can car rental and
We are major
rate, inbound and
ments of the car
our wholly owned
as through 67%-
The car rental
of its own fleet
chain of dealers.

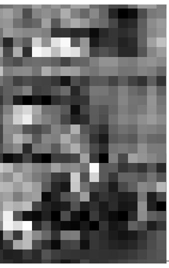
erating features

mance by our car
n a buoyant, but
rket.
businesses con-
ience difficulties
strong rand.

Outlook

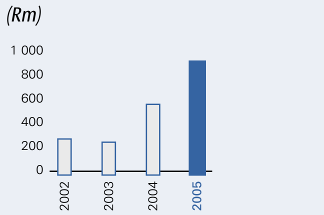
about the outlook
Continued strong
ns are anticipated
ental businesses,
weaker currency
for the tourism

	2005 Rm	2004 Rm
	3 069	2 952
	495	433
	1 869	1 738
	4 755	4 831
	10 090	9 548



Distributorships

Operating profit



Overview

The distributorship division imports and distributes a range of passenger and light and heavy commercial vehicles, automotive products and motor cycles on behalf of principals in Asia, Europe and the United States. The division is also building substantial related financial services operations in conjunction with banks and insurance companies.

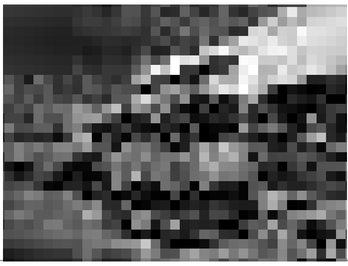
Operating features

- Strong volumes lead to significant growth in this business, aided by back-end income streams.
- The group was appointed distributors for a number of additional products during the year.

Outlook

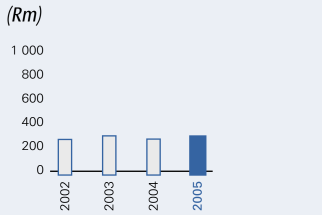
We believe ongoing solid growth in the South African motor retail environment and growth in infrastructure spending should continue to support good growth in our passenger and commercial vehicle sales.

	2005 Rm	2004 Rm
Revenue	**9 655**	6 285
Operating profit	**928**	566
Operating assets	**5 211**	2 798
Employees	**4 571**	2 904



Motor Dealerships

Operating profit



Overview

This division holds a leading position in the retailing of passenger and commercial vehicles in South Africa. It earns substantial revenue from after-sales services and from providing financial services opportunities to the group's insurance and banking interests.

Operating features

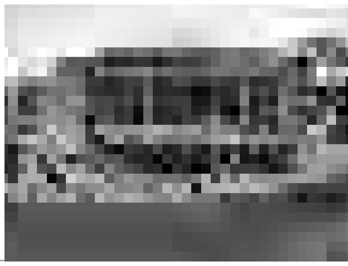
- Strong volume growth.
- Dealer margins remained under pressure across the industry.
- Achieved the division's goal to have pre-capex cash flow exceed profits.

Outlook

The South African automotive market is expected to remain strong which should support growth despite the fact that margins are expected to remain under pressure.

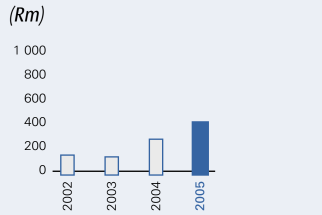
	2005 Rm	2004 Rm
Revenue	**12 073**	10 090
Operating profit	**301**	275
Operating assets	**2 320**	1 791
Employees	**4 705**	4 310
Group vehicle sales*	**136 882**	93 422

*Includes sales across all divisions



Insurance

Operating profit



Overview

The group's insurance operations are niche-focused providing a range of short and medium to long term insurance and life assurance products that relate to the automotive market in particular and the group's mobility theme in general.

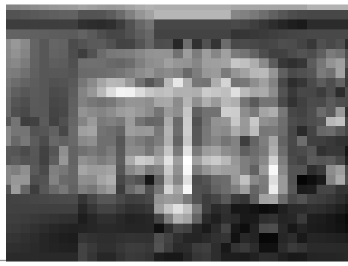
Operating features

- Strong premium income growth.
- Excellent investment and underwriting performance.
- Further improved economies of scale.

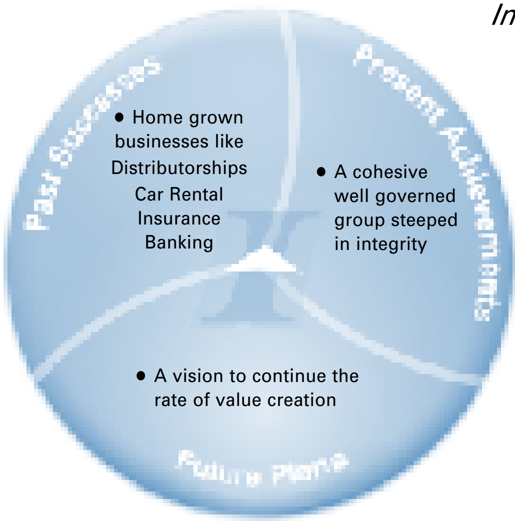
Outlook

Whilst rates are expected to remain under pressure, further growth in volumes should support profitability through improved economies of scale and the prudent assumption of more underwriting risk.

	2005 Rm	2004 Rm
Revenue	**2 027**	1 631
Operating profit	**419**	274
Operating assets	**2 551**	2 057
Employees	**570**	510



Driving the sustainability



Imperial is managed on a decentralised basis in order to ensure a healthy level of autonomy and entrepreneurship. The Executive Committee oversees the performance of the group and works closely with the heads of divisions. High-level cooperation between divisions is ensured through regular meetings at which a multi-disciplinary thought process ensures cohesiveness of strategy.

Imperial has been producing strong inflation-beating earnings growth every year for the past 18 years. This alone is proof of the soundness of its business model in a broad sense.

The robustness of Imperial's performance can be measured in many ways, by revenue, earnings, headline earnings, assets or equity, and a remarkable consistency in the ratios between these values over the entire period is revealed. This is illustrated by chart 1.

Real growth after the elimination of inflation is shown in chart 2 and HEPS growth in US$ is shown in chart 3. If one then overlays the volatility of the economic and social backdrop against which this rock-solid performance has been achieved, it bears further testimony to the resilience of the group's blend of values, strategies, structures, business model and operating style.

In Imperial's case, the consistent sustainability of the group's long-term performance can be ascribed to the following factors:

Diversity of businesses around a well-understood theme

Our management understand the dynamics of the market for mobility assets, being those assets which are used to transport people and goods. Understanding the values of these assets and the ways in which they are bought, sold, financed and insured, as well as the factors which determine their depreciation and resale values, has enabled us to create a variety of substantial businesses which could attain market leadership in their respective fields.

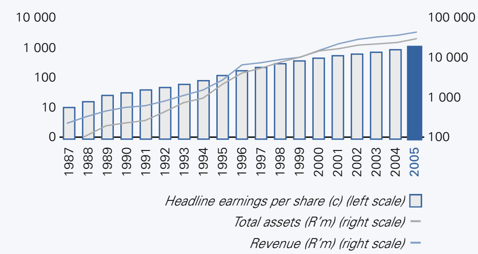
In this regard, our intimate knowledge of trading conditions in used cars and commercial vehicles, which is derived from our extensive vehicle trading operations, ensures accurate pricing of leasing or transport contracts in respect of residual value assumptions. The bias and culture of a motor or truck trader is also widely applied in the disposal of our car rental vehicles and transport fleet, as well as in our insurance underwriting models and vehicle finance pricing.

A built-in contra-cyclicality between significant parts of the business

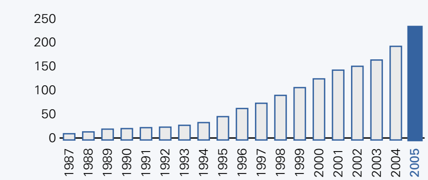
Due to of the diverse nature of the divisions of the group, and the wide range of factors which impact on their profitability, it is inevitable that most macro-economic trends would exert opposite influences on parts of the group, thereby creating a contra-cyclical balance which ensures sustainability of good performance through the cycles.

For example, regarding interest rate risk, we are both substantial lenders and borrowers of money. Our leasing business, and indeed all our businesses, where the funding cost of an asset is recovered from a client, operates along prudent banking principles of asset and liability matching of maturity and pricing. Operating in an open economy like South Africa, it is inevitable that foreign currency plays a significant role in our profitability. In this regard, we have two large divisions, namely aviation and tourism, which have inherent mismatches in favour of traditional hard currency earnings, whilst we are extremely well disposed to a strong rand in our vehicle and component import businesses.

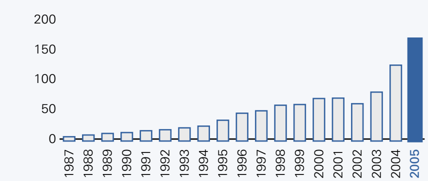
1. Headline earnings per share – nominal



2. Headline earnings per share (c) – inflation adjusted



3. Headline earnings per share – US$ (c)



A total commitment to growth

At Imperial, we believe that a business is like a wheel barrow – if you don't push it, it stands still. The search for growth must be a habit which is as important as it is to run your core activities well. The yardstick against which the success of a management team is measured is not only the quality of its existing business, or the absence of setbacks or mistakes, or the level of compliance with best practices, but equally important is the creation of new sources of income.

Our car rental business was formed in 1979 to earn additional revenue from the vehicles in our Toyota dealerships. To grow its rental days, business travellers had to be found, and whilst there were no airport concessions to be had, cars were rented out from the public parking lots at national airports, a business model fraught with operational risks. However, airport concessions were soon obtained and eight years later, Hertz SA was acquired. The Hertz brand fell away when they disinvested from South Africa for political reasons. The skill to deal with tourists and travellers prompted the acquisition by this division of a coach touring business, which soon paved the way for the acquisition of Tourvest. This gave us the American Express Travel franchise and duty-free shopping in four international airlines as well as a range of tourist-driven retail merchandising stores – a far cry from its modest beginnings.

The same pattern could be identified in several other divisions.

A determination to continually reinvent mature businesses

There are no holy cows in the group. Businesses which no longer present exceptional growth prospects have often been restructured to give them a new life, be it through a change of focus, a change of management or a disposal.

What is today our Logistics division originated as a truck hire business in 1975 which, in search for growth, entered the local distribution market in 1980. This business soon surpassed the truck-hire business, but ran out of steam in terms of profitability when its local distribution contracts became commoditised. Instead of accepting lower margins and limited growth prospects, we acquired a long distance haulage business, which opened a massive new front for growth, whilst remaining engaged in the running of trucks. This enabled warehouse management, supply chain management and fourth party logistics, and eventually spearheaded the acquisition of our European logistics businesses. A small part of this acquisition was a low-margin clearing and forwarding business which initially made losses. Through hard work, these losses were reversed and the business was recently disposed of at a substantial profit which is reflected as part of a R344 million exceptional gain in this year's income statement.

A continuous search for new growth opportunities within the mobility theme

It has never been the philosophy of the group to narrowly define its position in a certain industry, but to think laterally about possibilities to become involved in upstream, downstream or related businesses which can piggy-back on other activities of the group, or which can add value to other activities.

As motor dealers, we noticed the eagerness of banks and insurance companies to get their hands on our car-buying customers. In an ambitious move which surprised many critics, we decided to keep our customers' insurance and finance spend for ourselves. The easy way would have been to outsource the work to the financial services experts and hope to earn a modest profit share while we focused on our core business of selling cars. However, we believed that our destiny lay with our own insurance company and bank. These niche financial services businesses today make more profit than our motor dealerships, ironically while they derive more financial services business from outside the group's own dealers than from our own.

Conservative measurement of returns to reveal real sustainable earnings

The sustainability of a business can always be tested by its ability to show acceptable returns while its results are measured with due recognition of long-term costs and risks. Assets should be conservatively valued to ensure future trading profits beyond reasonable doubt.

The depreciation charge in Imperial has always been conservative. This was easy to achieve in times of high inflation. However, the perception of high profitability created by inflation could have masked an inherently weak business. We therefore sought to eliminate as much of the inflation-linked gains in our residual value calculations as possible, and succeeded. This is proved by the fact that there are profits on the sale of cars and trucks which are retired from our fleets, reflected as recoupments of depreciation, despite a much lower inflation rate.

In addition we underpin the carrying value of our assets with an impairment test and raise any necessary impairments. With the implementation of the new International Financial Reporting Standards, there will be a restatement of our aviation assets to current market values.

The absence of serious errors which could threaten overall group performance

In a group like Imperial, where unchartered territories are often ventured into, one cannot risk the future of the business on the successful outcome of uncertain events. One cannot even risk one year's profit growth on an uncertain outcome of a venture. Therefore, extra care has to be exercised in calculating the downside risk of a decision. We generally have sufficient confidence in our assessment of the maximum downside risk of new ventures that we have not shied away from when taking on projects outside our proven field of competence.

Of all our major acquisitions of businesses which were, at the time, somewhat removed from our core competencies, no single acquisition was too big to swallow, even if it failed to live up to our expectations. The same can be said of our grass-roots ventures.

Timeous management intervention to correct threatening situations

Because we have an almost religious habit of measuring and recording profits in three stages, namely immediate past profits, near term (year-end) forecasts and medium to long- term (five-year) profit forecasts, any development which poses a threat to profits at any of these three stages is dealt with immediately.

A synchronised mix of businesses working as a team towards the same goals

In 2000, it became virtually impossible for small banks to obtain funding, especially fast-growing asset financing banks such as Imperial Bank. Before a single deal in the bank had to be turned down due to a lack of funding, a deal was struck with Nedbank which ensured enduring funding lines, thereby enabling the bank to grow its book five times since the formation of the joint venture with Nedbank. The early exits from other unsuccessful ventures, within and outside of our core businesses, such as a car rental business in Australia and a fund management business, are examples of this.

Ensuring long-term financial strength

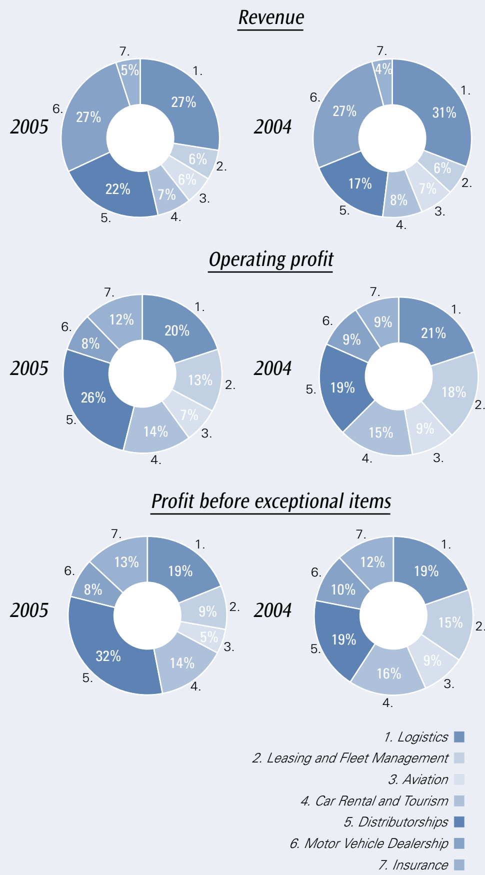
The achievement of most of the abovementioned objectives, particularly those dealing with ensuring long-term growth, requires the ready availability of adequate financial resources. Imperial has often erred on the side of over-capitalisation at the expense of the rate of return on invested capital. Whilst significant strides have recently been made to optimise returns, management remain committed to keeping sufficient resources at the group's disposal to facilitate the seizure of appropriate growth opportunities as they arise.

Whilst the group enjoyed an enviable price/earnings multiple in the 1990s, we quadrupled our equity base by share issues to fund cash and acquisitions. When this source of financial strength lost its attraction due to a de-rating of most industrial shares, Imperial became the leading South African issuer of listed corporate debt, and we ensured the long-term viability of this funding source through obtaining strong international and domestic credit ratings.

Conclusion

Our business model and the underlying state of the markets in which we operate have a significant impact on our performance. However, the main driver of our success is the way in which we think about our business, the values we hold and the objectives we set for ourselves.

Divisional contribution



Financial and operational highlights

- ✓ Group revenue grew by 22% to R42.5 billion, buoyed by strong demand for motor vehicles and related value-added products
- ✓ Headline earnings grew by 25% to R10.46 per share
- ✓ The capital distribution to shareholders grew by 25% to R3.95 per share
- ✓ The group's ROE improved further to 22%, exceeding our target of 20%
- ✓ Free cash flow amounted to 110% of headline earnings
- ✓ An upgrade to our international scale credit rating to Baa1 by Moody's Investors Service
- ✓ The successful advancement of our BEE strategy through Ukhamba and the conclusion of a second transaction with Lereko Mobility
- ✓ Another strong performance by our distribution and insurance businesses

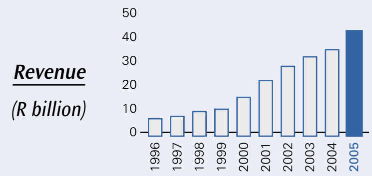
Strategies

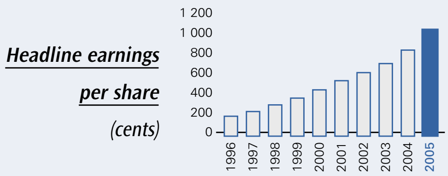
- ✓ We continue to focus our efforts on growth within our respective fields of expertise in South Africa, but will contemplate offshore opportunities that suit our criteria for value and focus
- ✓ The emphasis of Imperial remains on generating shareholder value
- ✓ We will seek to grow our asset base through better leveraging of our balance sheet
- ✓ We will seek to increase our exposure to sectors which are sensitive to infrastructure building

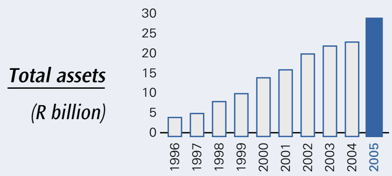
Outlook

- ✓ We are positive about the year ahead
- ✓ We expect continued strength in the consumer economy in South Africa, supported by both cyclical and structural factors, as well as in infrastructure building
- ✓ We also foresee solid performances from our businesses outside South Africa
- ✓ In terms of accounting policies applied this year, we expect good growth in earnings

		2005	2004	% change
Revenue	(Rm)	42 546	34 747	22
Operating profit	(Rm)	3 523	2 873	23
Profit before taxation	(Rm)	3 528	2 422	46
Profit margin	%	8.3	8.3	
Headline earnings attributable to shareholders	(Rm)	2 095	1 694	24
Headline earnings per share	(cents)	1 046	836	25
Distributions to shareholders	(cents)	395	315	25
Cash generated by operations	(Rm)	4 368	4 286	2
Return on equity	%	22.0	20.3	
Total assets	(Rm)	28 898	23 260	24
Net asset value per share	(cents)	4 836	4 307	12
Market capitalisation at closing prices	(Rm)	20 909	14 676	42







A balanced exposure to the forces driving the robust South African economy

Imperial's seven divisions form a balanced exposure to the current dynamics of the South African economy by serving three interrelated but different market segments. These are the private consumer market, driven by consumer demand, the business sector, driven by gross domestic product growth and the broader tourism market, driven by domestic and international business and leisure travel demand.

In the first instance, the South African economy is strongly impacted by the steady emergence of previously disadvantaged consumers who are now the beneficiaries of consumer friendly macroeconomic factors, significant demographic shifts in the urban areas of South Africa and various forms of governmental and private sector initiatives to reverse the effects of previous impediments on the economic advancement of these consumers. At the same time, not only previously disadvantaged consumers are benefiting from these factors, but indeed all consumers.

Three of our divisions, Distributorships, Dealerships and Insurance, as well as our 49.9% investment in Imperial Bank, are directly exposed to this market with a combined contribution to revenue of R23.8 billion – 56% of total (2004: R18.0 billion – 52% of total), predominantly derived from the sale of cars to the public and directly related insurance policies. These divisions earned 53% (2004: 39%) of the group's pre-tax profit before exceptional items. Imperial Bank wrote R6.0 billion of car finance, of which 45% originated at Imperial dealers.

Imperial's vehicle sales represented 19% of South Africa's national dealer sales in the past financial year, whilst motor

A team with one goal in mind

vehicle sales account for approximately 60% of total consumption expenditure on durable goods in South Africa.

Public transport in South Africa is entirely insufficient for the needs of working people, especially for the increasing number of people migrating from former black townships to fast-growing suburban areas of South Africa. This supports the growing demand for privately owned cars, which are becoming increasingly affordable in the wake of low interest rates and a stronger currency. With annual vehicle sales heading for 600 000, and car ownership in South Africa at only 70 cars per thousand of the population, the impact of the new emerging consumer class, which roughly represents 85% of the country's population of 47 million people, can be significant on car sales for a long time before a saturation point is reached.

In the second instance, the group's Leasing and Fleet Management and Logistics divisions offer an outsourcing service to the formal business sector. These divisions had a combined revenue of R15.3 billion – 36% of total (2004: R13.8 billion – 40% of total) and accounted for 28% (2004: 33%) of the group's pre-tax profit before exceptional items.

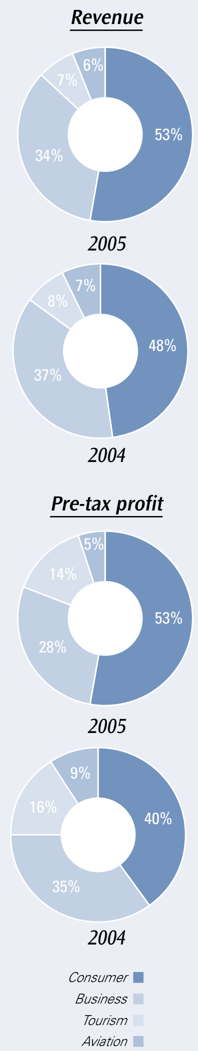
With the exception of Imperial's international logistics business which represents about 6% of group operating profit, these divisions deal with a high-quality customer base which in aggregate resembles the activity base in the broader South African economy. The multiplier effect of the transportation sector to the rate of GDP growth is typically two times, which projects a real growth before market share gains and acquisitions of approximately 8% per annum under current circumstances.

Exposure to the tourism and travel market amounted to revenue of R3.1 billion – 7% of total (2004: R3.0 billion – 8% of total), on which 14% (2004: 15%) of group pre-tax profit before exceptional items was earned.

Tourism contributes approximately 7% to the South African GDP. It is believed that this contribution could increase to 9% over the next five years to be in line with similar international destinations. If GDP grows by 3.5% per annum over this period, tourism spend could increase by approximately 8% per annum over the period.

The group's remaining division, Aviation, is being refocused into a higher operational and value-added content and away from pure financial leasing. The rand hedge qualities of the division form an effective counterbalance to those parts of the group which benefit from relative rand strength.

The dynamics of the Aviation division, which contributed 5% of pre-tax profit before exceptional items (2004: 8%) holds certain rand hedge qualities and forms its own niche operation with a global reach into the aid and relief market, specialist freight operations and limited airline exposure.



Directors' Profile

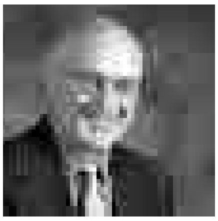
Non-executive directors

Leslie Boyd
Chairman

Eric Molobi

Phil Erasmus

Phumzile Langeni



Mike Leeming

Roy McAlpine

Veli Mokoena

Pope Molefe

Valli Moosa

Max Sisulu

Oshy Tugendhaft

Younaid Waja

Leslie Boyd *(68) C Eng, F.I.M. (UK)*

Leslie is a retired executive vice-chairman of Anglo American Plc. He is currently non-executive chairman of Datatec, and a non-executive director of ABSA, Acerinox Group (Spain), Aspen, Highveld Steel and Vanadium Corporation, Li and Fung (Hong Kong), Sun International and Tongaat-Hulett. He was appointed to the board and as chairman in June 2001.

Eric Molobi *(60) BA*

Eric is the chairman of Kagiso Trust Investments and of Metropolitan Holdings Limited and a non-executive director of Mvelaphanda Resources Limited, Northam Platinum Limited and Remgro Limited. He was appointed to the board in January 1998 and was appointed as the deputy chairman of the board in March 2004.

Phil Erasmus *(65)*

Phil is the retired chief executive of Tanker Services and former head of the transport division until his retirement in 1995. Phil is deputy chairman of Aveng Limited. He joined the group and the board in August 1993.

Phumzile Langeni *(31) BCom (Accounting)*

Phumzile is currently a director of Anooraq Resources and a non-executive director of Massmart Holdings Limited. She serves on the ALTX advisory board and is the JSE representative on the Securities Regulation Panel (SRP). She was appointed to the board in June 2004.

Mike Leeming *(61) BCom, MCom, FCMA, FIBSA, AMP*

Mike is 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.

Roy McAlpine *(64) BSc, CA*

Roy is a former executive director of Liberty Life. He is currently a non-executive director of African Rainbow Minerals and Kagiso Trust 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 *(45) BA, Post-graduate Diploma in Management (Wits), Executive Development Program (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 Limited. He was appointed to the board in March 2004.

Popo Molefe *(53) Phd (H.C.)*

Popo completed his second term as Premier of the North West province and Chairperson of the ANC in the North West province and is a member of the ANC National Executive Committee and the Chairperson of the ANC's subcommittee on governance and legislatures. He has been appointed chairperson of Petro SA and a board member of the Central Energy Fund, Strategic Fuel Fund, Xantium Technology Holdings Limited and Armscor. He was appointed to the board in June 2005.

Valli Moosa *(48) BSc*

Valli withdrew from the South African Parliament as Minister of Environmental Affairs and Tourism in May 2004 and is currently a National Executive Committee member of the ANC. He has recently been appointed as the chairman of ESKOM and is a non-executive director of Sanlam Limited, SAA and Thebe Investment Corporation. In November 2004 he was elected president of the World Conservation Union for a four-year term. He was appointed to the board in June 2005.

Max Sisulu *(60) MA, MPA*

Max is a prominent public figure and is currently the group general manager of 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.

Oshy Tugendhaft *(57) BA, LLB*

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

Younaid Waja *(53) 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 Limited, a trustee of the Diabo Trust (Telkom employees' 2% share) 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.

Executive directors

Bill Lynch

Chief executive

Ralph Boëttger

Manny de Canha

Tak Hiemstra

Hafiz Mahomed

Gerhard Riemann

Carol Scott

Bill Lynch *(61)*

Bill is the chief executive of Imperial and joined the group 34 years ago. He became joint managing director in 1987 and served as executive chairman from 1990 until 2001 when he relinquished this position to a non-executive chairman. He has spearheaded the development and expansion of the group.

Ralph Boëttger *(44) BAcc (Hons), CA(SA)*

Ralph is the chairman of the aviation and logistics divisions and is also responsible for Tyco and Lectrolite. He joined the group in 1998 with the acquisition of Safair. He was appointed to the board in November 2002.

Manny de Canha *(55)*

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 *(49) BCompt (Hons), CA(SA)*

Tak is the executive director, strategic development of the group. He served as managing director of Imperial Bank until recently and joined the group in 1992. He was appointed to the board in July 1993.

Hafiz Mahomed *(54) BCompt (Hons), CA(SA), HDip Tax*

Hafiz is the group financial director. He joined the group as financial manager in 1982 and was appointed to the board in March 1989.

Gerhard Riemann *(59)*

Gerhard is the managing director of Imperial Logistics International in Germany and is responsible for logistics operations in Europe. He joined the group and was appointed to the board in January 2000.

Carol Scott *(58)*

Carol is the chairman of the car rental and tourism division. She played a key role in the establishment of Imperial Car Rental and developments in the division to date. Carol joined the group in 1979 and was appointed to the board in July 1990.

Executive Committee

Brief curriculum vitae of the executive committee members that serve on the board and are contained on page 13 of this annual report.

Osman Arbee *(46) BAcc, CA(SA), HDip Tax*

Osman was a senior partner at Deloitte & Touche. He is responsible for Enterprise and Business Development and is Imperial's representative on the board of Ukhamba, the group's empowerment partner and a director of Distribution and Warehousing Network Ltd and Tourvest Limited. He was appointed as deputy CEO of the car rental and tourism division with effect from 1 August 2005. He joined the group and the executive committee in September 2004.

Terry Bantock *(44) BBusSc (Hons)*

Terry is the head of the logistics division in southern Africa. He was the managing director of Normans Transport and joined the group when that company was acquired by Imperial Logistics. He was appointed to the executive committee in March 2004.

Hubert Brody *(41) BAcc (Hons), CA(SA)*

Hubert is the chief executive of the motor dealerships division and executive responsible for the group treasury and Imperial Online. Hubert joined the group in April 2000 as chief financial officer of Imperial Bank and was appointed to the executive committee in March 2004.

Walter Hill *(46) HN Dip (Ind Eng), AEP*

Walter is the chief executive of the leasing and fleet management division. He joined the Group in 1998 as managing director of Imperial Fleet Services and was appointed to the executive committee in November 2002.

Nazeer Hoosen *(41) BCompt*

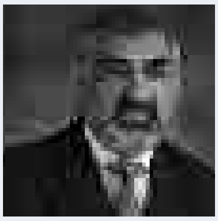
Nazeer is the chief executive of Regent Life. He joined the group in November 1996 as financial manager of Regent Life, was appointed to the Regent Life board in 1998 and became the chief executive in June 2002. He was appointed to the executive committee in March 2004.

Walter Hill

Hafiz Mahomed

Carol Scott

Bill Lynch
Chief executive



Osman Arbee

Terry Bantock

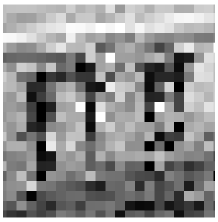
Ralph Boëttger

Hubert Brody

Manny de Canha

Tak Hiemstra

Nazeer Hoosen



The South African economy is better than it has been for some time, benefiting from both cyclical and structural factors that are leading to strong demand patterns in many of the markets served by Imperial.

Imperial continued to deliver strong, inflation-beating growth in the year under review. Supported by solid economic fundamentals, many of the group's businesses performed well. The ongoing strength of the rand did have some negative impact on the aviation and tourism businesses, but this was adequately balanced by the performance of the other divisions.

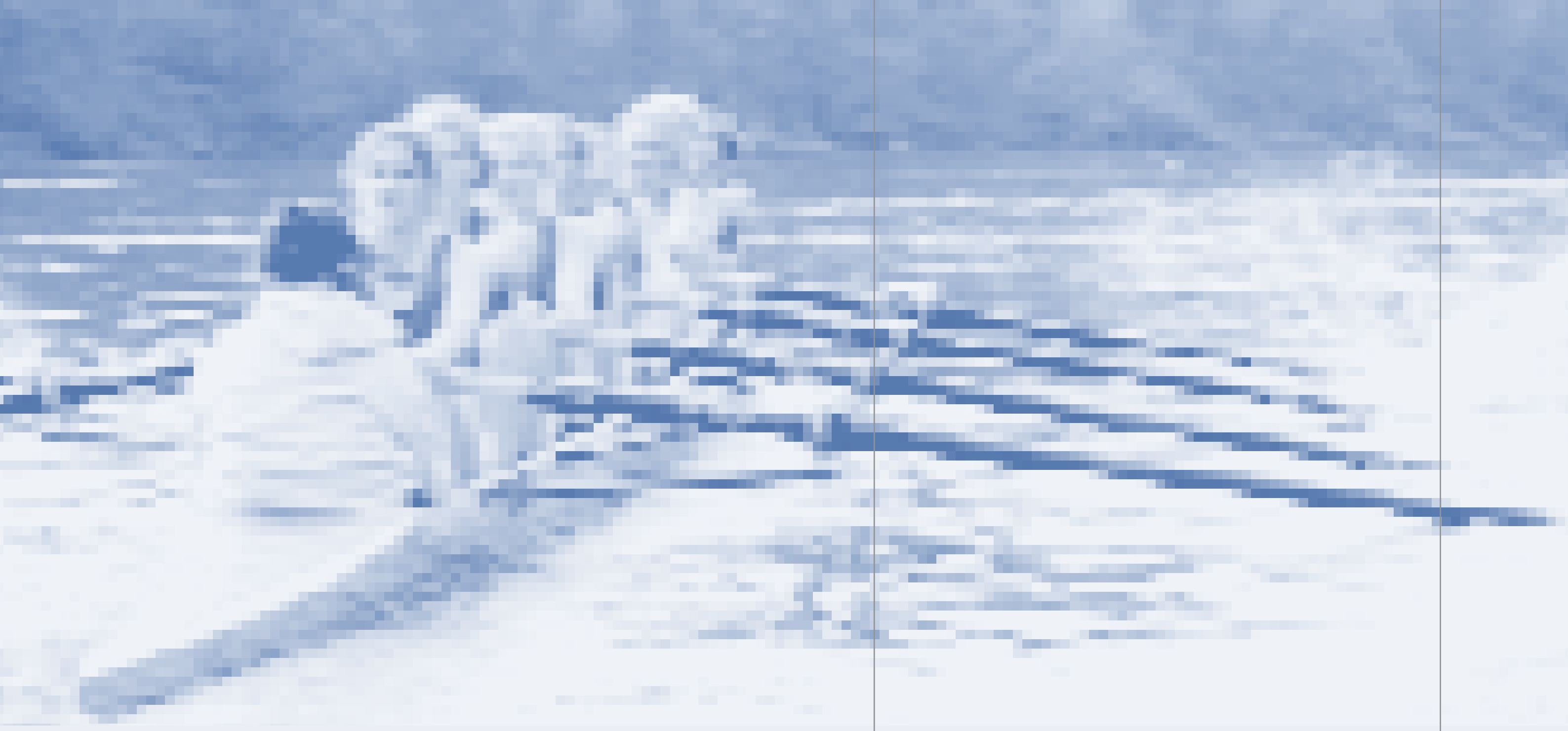
The group delivered a 22% improvement in revenue to R42.5 billion and 25% growth in headline earnings per share to R10.46 per share. This means that the group has delivered 18 years of uninterrupted earnings growth at a compound annual rate of 30% in rand terms and 22% in US dollar terms. This is truly a testament to a solid business model and hard work by all the people of Imperial.

Imperial made further strides toward achieving its empowerment goals. The group successfully concluded a transaction with Lereko Mobility during the latter part of the year, which gives Lereko Mobility the beneficial ownership of 7.25% of Imperial's ordinary shares in issue. This transaction is complementary to the transaction concluded during the 2004 financial year with Ukhamba Holdings. In July 2005, the first tranche of 1 740 001 deferred ordinary shares belonging to Ukhamba converted to ordinary shares in Imperial with a value in excess of R200 million. In addition, Ukhamba's other operations have created added value of more than R200 million. Imperial is committed to broad-based black economic empowerment and will continue to work towards its goal of boosting direct ownership in the group, while also giving due attention to the other elements of the scorecard and guidelines as proposed by the South African Government.

Operating environment

The macro-economic environment in which Imperial operated during the past year was generally good. In South Africa low inflation and low interest rates supported the most sustained, and of the strongest economic growth the country has experienced since democratisation in 1994.

Over the course of the year, GDP growth averaged over 4.3%. Of particular interest was the strong growth experienced in personal consumption expenditure. Expenditure on durable goods has been growing at close to 20% for the last quarter of 2004 and the first quarter of 2005. Imperial benefited from this strong trend in the dealerships and distributorships divisions as well as the financial services operations which sell their products into these markets. The general improvement in economic conditions supported a good performance by the car rental operations and another year of stable growth in logistics. The strong rand affected the group's aviation and tourism interests negatively though. The leasing and fleet management divisions' operating performance was affected by lower interest rates and the non-payment of a debt due by a major customer.



Governance

Corporate governance continues to receive its due attention at Imperial. The group has continued to exercise good business principles in this regard, being based on transparency, accountability and sound ethics. During the year further effort and resources were directed at improving systems and processes and the group's risk management initiatives are also bearing fruit through the early identification of risks.

During the year, Messrs Popo Molefe and Valli Moosa joined the board, representing the interests of Lereko Mobility. They add significant experience to the board and we look forward to the perspectives they will bring to the board's deliberations. This brings to 12 the number of non-executive board members of which five are considered independent. Together with seven executive directors, it results in a board structure, though large, that is in line with the recommendations of the King II code of best practice. Other elements of Imperial's governance process are also in line with the code and other established best practices.

Appreciation

At the conclusion of yet another successful year of growth and value creation, I would like to extend a word of thanks to the management and staff of the Imperial Group on behalf of all shareholders. Their commitment, passion and enthusiasm are tangible.

I would like to extend a particular word of thanks to Mr Bill Lynch, the chief executive, the management and staff and my fellow directors who have provided wise guidance and counsel into the affairs of the group, which has resulted in another successful year for the group and laid the foundation for continued growth in years to come.

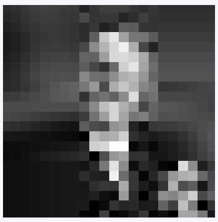
Prospects

The South African economy is better than it has been for some time, benefiting from both cyclical and structural factors that are leading to strong demand patterns in many of the markets served by Imperial. Whilst growth rates should normalise somewhat, the group should continue to perform well in these relatively buoyant conditions.

A key risk that continues to gain momentum, is the rising price of crude oil. This trend carries the risk of slowing the global economy and could have a negative impact on the South African economy too.

In summary the group expects to record good growth in earnings for the year ahead as measured using comparative accounting policies.

Leslie Boyd
Chairman



Imperial Holdings had an outstanding year during which the group's 18-year record of uninterrupted growth since listing was extended with headline earnings per share growth of 25%.

Dear Shareholder, Customer, Supplier and Colleague

We trust that the information we bring you about Imperial in this report will give you a valuable insight into the group, its operations and how it is managed.

Imperial Holdings had an outstanding year during which the group's 18-year record of uninterrupted growth since listing was extended with headline earnings per share growth of 25%.

The macroeconomic environment was generally supportive, with strong economic growth, relatively low interest rates and muted inflation combining to generate significant momentum in the consumer environment. The strong rand supported consumer demand for our products but impinged on results in our tourism and aviation businesses.

The group's revenue improved by 22% against last year and operating profits grew by 23%. Cash generation was also good with operating cash flow after adjusting for replacement capital expenditure (free cash flow) of R2.3 billion. The return on equity increased to 22% from 20% in 2004 as a result of strong growth in profits, share buybacks and an increase in the use of debt funding.

We continued to expand key growth areas in our business. Thirty-one new dealerships were added to our network and we acquired nine Ford dealerships in Australia. Four bolt-on acquisitions were added to our South African logistics business and two to our German operations. In our insurance division, we acquired a 60% stake in Lesotho National Insurance Holdings. Our leasing division won a number of new outsourcing contracts despite flat market conditions and the aviation businesses expanded their specialised operations fleet, added territories to its distribution rights for Raytheon products and acquired Naturelink. Our car rental and tourism interests expanded their regional presence and the insurance operations focused on expanding their distribution network.

In the interest of better focus, the group disposed of its European-based clearing and forwarding business, JH Bachmann with effect from 1 June 2005 to the European logistics group, DFDS Transport. We also disposed of our interests in DAWN Limited to Ukhamba Holdings and Sani-Tech to a BEE investor. These disposals resulted in a profit of R344 million.

Imperial received an upgrade to its international scale credit rating from Moody's Investors Service from Baa2 to Baa1. This is eqivalent to South Africa's sovereign rating and positions the group well to raise capital abroad should the need arise.

The board approved a final distribution for the year of R2.20 per share, bringing the total distribution to R3.95 per share, increasing by 25% over 2004.

Risk management

During the past year Imperial made further progress on improving our risk management processes. The establishment of a centrally managed internal audit function during recent years has improved risk identification, corporate governance procedures and risk management. We also implemented a self-regulation policy and set up reporting structures which have allowed the identification of potential risks. Each division has established a risk management forum which aims to identify risks at an operational level and develop action plans and strategies to eliminate or minimise the impact of such risks. We report in greater detail about these specific risks in our reviews of operations starting on page 20.

International Financial Reporting Standards

The group will be implementing International Financial Reporting Standards (IFRS) with effect from the 2006 financial year and will accordingly report its interim results to 25 December 2005 under the new standards. In preparation for this change, considerable work has been done on assessing the likely impact of the new standards, which also require opening balances for the comparative period, i.e. balances at 26 June 2004, to be restated to the new accounting guidelines.

Initial indications are that the impact on the group's income statement is relatively limited, whilst the impact on the balance sheet is significant. A detailed analysis of the estimated impact of the adoption of IFRS on the group's financial reporting is set out in the financial directors' report starting on page 50.

Success of Imperial's broad-based empowerment

Imperial made a huge contribution to enterprise development by creating Ukhamba Holdings and giving it the necessary capital and operational support to grow to an enterprise valued at over R1.5 billion. Ukhamba, a 10.2% shareholder and the group's first empowerment initiative representing 15 000 historically disadvantaged employees of the group, grew rapidly during the year. The first tranche of 1 740 001 deferred ordinary shares converted to ordinary shares, representing tangible wealth enhancement for Ukhamba and its shareholders. The converted ordinary shares are listed on the JSE and now have a value of some R200 million. This is a unique achievement, creating material wealth for a large number of historically disadvantaged individuals in the first full year of the transaction. The first dividends will be paid to Ukhamba shareholders in October 2005.

The group made significant progress during the year towards attaining its long-term empowerment goals. It has always been the view of the group that further empowerment would be necessary in its transformation process and this was successfully implemented with Lereko Mobility with the overwhelming support of shareholders. Lereko Mobility acquired preferred ordinary shares representing approximately 7.25% of the company's ordinary shares in a transaction valued at R1.4 billion.

The transformation efforts of Imperial were, however, not concentrated solely on equity but also extended to all other areas of the business from enhancing representation at board level where previously disadvantaged groups now represent 42% of the board, to areas such as BEE procurement, employment, social development and training, which were given priority during the year. The group is committed to transformation and empowerment and will continue to pursue and enhance all facets of empowerment in its businesses.

Job creation and investment

The group employs 32 696 people worldwide, including 27 640 in South Africa, and added 3 168 new jobs, of which 2 254 were in South Africa. R47 million was spent on training during the year, with 725 000 total training hours. R2.2 billion was invested in the future expansion of the group, up from R1.3 billion last year.

Strategy

By "mobility" we mean the movement of people and goods for reward. Our vehicle sales and services interests distribute mobility assets, our fleet businesses own and use mobility assets and contain intellectual property relating to the use of these assets. Our financial services interests, being our insurance operations and our joint venture, Imperial Bank, operate in the markets for mobility assets, providing funding, insurance against theft, damage, credit risk and provide various niche insurance products that are directly related. The mobility theme permeates throughout the business. Whilst we constantly aim to add further avenues of business to this macro theme, we do not envisage any move into unrelated activities. We believe that significant growth opportunities remain in this area.

We remain committed to growth. In the first instance we enjoy many organic growth opportunities. We are well placed to benefit from outsourcing trends and continually focus on innovation and high levels of customer service in order to build on our leading positions in the key markets in which we operate.

Whilst preference remains to grow organically, we would consider acquisitions that are of strategic value, fit our business mix, are value enhancing and are not too geographically distant from our current footprint. In the South African context, our acquisition focus will typically be on bolt-on, niche operations that could leverage our existing strong market positions and add greater value to our offerings to customers. Internationally we aim to acquire businesses in markets which we understand and where a potential acquisition would hold benefit for our local operations as well. Accordingly we would focus on areas of our current business mix where international growth is a logical extension of what we are already doing.

Outlook

The outlook for the group remains positive. It is expected that consumer spending will remain relatively buoyant, which should bode well for our vehicle interests and also for the wider group. The current environment of low inflation, stable interest rates and a relatively strong currency should be supportive of further growth for the group.

Our businesses are well positioned to benefit from expected growth in infrastructure investment and we have the capacity to benefit from opportunities as they arise. Our primary focus remains on growing organically within our current business mix, with a secondary priority to grow through acquisitions. We also expect a solid performance from our businesses outside South Africa.

We anticipate good growth in earnings, as measured on a like-for-like basis in terms of accounting policies applied this year.

Appreciation

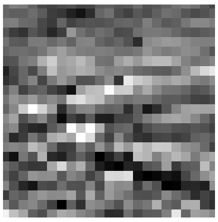
At the conclusion of another successful year for Imperial, I would like to thank a number of key stakeholders who made this performance possible. To our staff I would like to extend a word of gratitude for their continued hard work and the good judgment they have exercised in realising Imperial's growth ambitions.

I would like to thank our customers for their loyal support of our businesses around the world.

In business one's suppliers and business partners are extremely important. We would like to thank these organisations for supplying us with the right resources to make our business function the way it does.

To those that provide us with the capital to continue growing we also owe a debt of gratitude. Whether it be financial institutions supplying us with debt capital or loyal equity investors, we trust that your association with Imperial is as rewarding as ours is with you.

Bill Lynch
Chief executive



Logistics

Business overview

Southern Africa

Imperial Logistics enjoys a leading position in the provision of logistics services in Southern Africa. We provide high-quality logistics solutions to our sophisticated customer base, encompassing all the elements of land-based supply chains, including road transport and warehousing through the utilisation of leading-edge technology. Our multi-branded, yet integrated business is most advantageous as it combines the benefits of autonomously run small businesses with the systems and infrastructure of a world-class service. This part of the division consists of three businesses, namely transport and warehousing, consumer product logistics and specialised freight. With a broad-based exposure to the South African economy, this business has the leverage to benefit from expected further growth in consumer spending and infrastructure development.

Europe

Our European logistics business comprises four operating units, namely:

- Panopa Logistik, which provides high value added solutions, especially to industry, through warehouse management and just-in-time delivery to the production line and the processing and handling of materials such as steel and paper;
- the operation of inland waterway container and bulk terminals through Neska;
- transportation of dry and liquid bulk commodities and containers on inland waterways by Imperial Reederei; and
- broking and chartering of ocean shipping by Brouwer Shipping.

✓ Solid growth from our domestic business

✓ An outstanding performance from our international logistics business

✓ Revenue up by 13% in euros in our international logistics operation

	2005 Rm	2004 Rm	% *change*
Revenue	12 721	11 576	*9.9*
Operating profit	698	600	*16.3*
Net financing cost	92	105	*(12.4)*
Profit before exceptional items	621	467	*33.0*
Operating assets	6 912	6 229	*11.0*
Non-interest-bearing liabilities	2 594	2 527	*2.7*
Interest-bearing borrowings	1 420	1 529	*(7.1)*
Capital expenditure	907	895	*1.3*
Operating margin	5.5%	5.2%	
Employees	15 136	14 416	*5.0*
Fleet sizes			
– Southern Africa	4 587	4 690	*(2.2)*
– Europe	303	265	*14.3*

Strategic positioning

Southern Africa

Imperial Logistics occupies a leading position in the land-based logistics market in sub-Saharan Africa. We estimate enjoying between 15% and 20% of outsourced road transport in South Africa. However, we define our market opportunity well beyond the boundaries of road transport and in this context our market position is far less significant. We estimate that by volume, we carry only

approximately 2% of all goods in South Africa. This results from the significant role played by rail operators and air cargo in the transportation of certain types of cargo.

The road transport market is highly fragmented, with the larger listed players only controlling some 35% to 40% of the market, although it tends to represent blue-chip customers who prefer to procure services from larger organisations which have the infrastructure to ensure an uninterrupted and reliable service. Whilst our suppliers have a material impact on our business, the centralisation of strategic procurement has enabled us to consolidate our buying power to benefit from our size and critical mass.

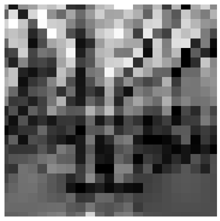
There is a major element of logistics suitable for rail transport, and we have no doubt that rail will return as a strong competitor to road transport. However, this competition will dwell on bulk and containerised cargo, where Imperial Logistics has a very small presence. In selected instances, we would be able to utilise the rail network to fulfil a part of our customer offering at a competitive cost. We are, however, planning to work with rail operators to deliver integrated solutions to customers in these markets.

Europe

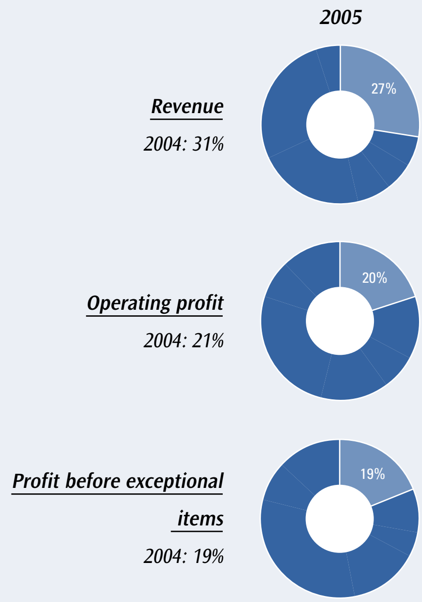
In Europe, the group operates in specialised markets and occupies leading positions in inland waterway transport and bulk handling in the lower Rhine area, and operates as the largest provider of container terminals in the industrialised region around Cologne. In the automotive and steel industries, we have a smaller, niche positioning but are leaders in providing quality and technologically advanced solutions.

To mitigate against competitive pressure, emphasis is placed on value-added supply chain solutions and the integration of our services into the production processes of our customers. This creates advantages for both parties as synergies for the customer are maximised and the ability to change service providers is significantly reduced. An important competitive advantage is gained from the occupation of strategically located container and bulk terminals by Neska, and some of the logistics sites of Panopa. Imperial Reederei, Europe's leading inland waterway shipping group, gains from its scale.

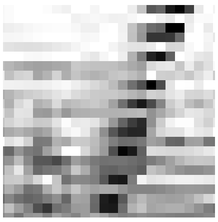
The barriers to enter our markets are relatively high due to the significant capital outlay and specific skills required. The versatility of our European logistics business has proven to be an attractive solution to our customers. Additionally we are benefiting from current high demand for transport and logistics services generated out of the Far East.

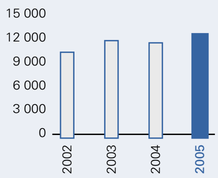


Divisional contribution

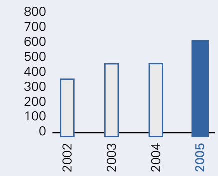


Divisional Review
Logistics: continued

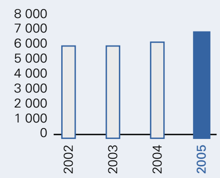




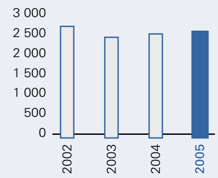
Revenue
(R millions)



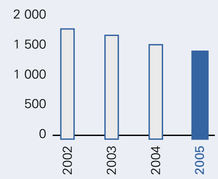
Profit before exceptional items
(R millions)



Operating assets
(R millions)



Non-interest-bearing liabilities
(R millions)



Interest-bearing liabilities
(R millions)

Risks and risk management

South Africa

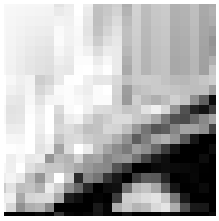
The group's South African logistics business faces the following risks in its operating environment:

- *Industrial relations* proved a challenge during the last year. Ongoing demands for above CPI wage increases in the current low inflationary environment remain a risk.
- *HIV/AIDS.* This pandemic affects our business directly, especially through the infection of long-haul truck drivers. In response to this problem, the group is active in sponsoring a number of roadside clinics along main routes, providing treatment, counselling and assistance to drivers.
- *Operational risks* include product spills, theft and hijacking. These risks arise in the normal course of business and are both insurable and manageable. The division has sophisticated processes designed to manage these risks, reduce losses and strive to adhere to international best practice in areas including health, safety and environmental practices.
- *Skills shortages.* There is a general shortage of skills in the road freight sector, which is exacerbated by the impact of HIV/AIDS. To counter this risk, Imperial Logistics provides learnerships and training for drivers and other personnel required in our operations.
- *Internal controls.* Whilst decentralised management is a hallmark of the Imperial group, a comprehensive internal audit department regularly reviews businesses to ensure that the required controls are in place and procedures are followed.

Europe

The primary risks facing our European logistics business are:

- *A slowdown in world economies,* particularly the steel and automotive industries. Whilst economic indicators appear to be sound, any setback to economic recovery would have a negative impact on our businesses.
- *The global commodity cycle.* The current strong demand for commodities, such as steel and other metals from China and India, have supported growth in our European businesses. A slowdown in demand could conversely have a negative impact on demand for our services.
- *Environmental legislation.* Tendencies to improve environmental protection could lead to additional capital expenditure. However, given that we are operating at high standards already, we believe the impact on our business will not be significant.
- *Enlargement of the EU.* The addition of further countries from Eastern Europe will continue, leading to changes affecting the land transport business as logistics companies from these countries with lower cost structures are entering the European market. However, the long-term effects of world economic growth, particularly on Eastern Europe, should mitigate the effects of increased competition.



- *Insufficient infrastructure.* Road transport is expected to increase, putting pressure on road infrastructure which is slow to improve due to budget constraints. Our inland waterway business may be a beneficiary of this situation.

Although increased fuel prices can mostly be passed on to customers, the current high price of oil is of concern to the entire division, as it may affect overall demand and increase pressure on margins.

The year in review

The division achieved revenue growth of 10% to R12.7 billion and operating profit increased by 16% to R698 million, with an outstanding performance by our international logistics business.

Southern Africa

The past year was a challenging, but successful one for Imperial Logistics. Whilst currency volatility, a sharply rising fuel price and industrial action provided significant challenges, improved productivity, good domestic demand and reasonable import activity were key positive factors. Revenue improved by 11%, despite the impact of low inflation on contract escalations and the effects of the 10-day truck drivers' strike in March. The strike action cost the group about R25 million, although some of this was recouped through improved productivity due to pent-up demand immediately after the strike. Against this background, the division improved its operating profit by 7%. Margins were also compressed by the significant impact of sharply rising fuel prices, particularly in the second half of the year. Whilst increases in fuel costs are recovered, we are not able to make a margin on the higher cost of fuel.

During the year, Imperial Logistics was successful in acquiring four bolt-on businesses that complement the group's offering in key markets. These acquisitions made a marginal initial contribution to profits and revenue.

Europe

Imperial Logistics International experienced a good year. Despite a continued strong exchange rate against the euro, rand-based revenue grew by 9%. Profits from operations increased by 47% to R196 million, with margins improving to 3.1% from 2.2%. In euros revenue grew by 13% to €812 million (2004:€719 million) and operating profit increased by 51% to €24.8 million (2004: €16.4 million). These improved profits resulted from efficiencies, cost containment and fundamentally good performances across the board. The group successfully disposed of its interest in JH Bachmann to DFDS Transport with effect from 1 June 2005, excluding Megafreight in South Africa, which is an important component of our southern African service offering.

During the period, Imperial Logistics International acquired two complementary businesses, adding expertise and new customers to two of our core operations. A large logistics contract with a major original equipment manufacturer was also renewed during the period for a further five years.

Strategy and outlook

Our logistics interests are well positioned to continue steady growth. The underlying driver in this business remains the desire of customers to outsource their logistics functions to external service providers. We are continually partnering with existing and potential customers in this regard. Accordingly one of our key strategies is to provide integrated logistics solutions, which will increasingly require a cross-over in the modes of transportation as this is often where significant inefficiencies lie. Our European operation has valuable expertise and experience in this regard and we are intent on exploring these intergroup opportunities of knowledge sharing in the coming year.

Whilst the European economic environment remains lacklustre, there are some signs of improvement ahead.

In South Africa, economic conditions are expected to remain supportive of growth. Against this background we expect another solid performance from the division in the year ahead.

Macro Drivers

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

Performance drivers

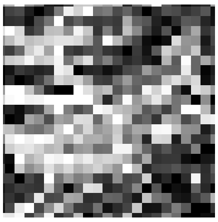
- New business gains
- Price escalations
- Customer success
- Cost control
- Asset utilisation

Risks

- Slower economic growth in South Africa and Europe
- A strong rand
- HIV/Aids

Strategies

- Integrated, value-adding solutions
- Combine our global logistics interests
- Focus on outsourcing opportunities
- Multi-modal solutions



Leasing and Fleet Management

Business overview

Our Leasing and Fleet management division is the largest business of its type by value in southern Africa. We operate in both the public and private sector, providing fleet management solutions to our customers for passenger and light, medium and heavy commercial vehicles as well as forklift trucks and warehousing handling equipment. Our aim is to provide customers with value-added services.

- ✓ Revenue up by 15%
- ✓ Fleet size increased by 12%
- ✓ Excellent result from the South African forklift operation

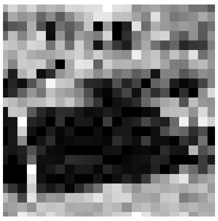
	2005 Rm	2004 Rm	*% change*
Revenue	**2 569**	2 240	*14.7*
Operating profit	**469**	525	*(10.7)*
Net financing cost	**165**	156	*5.8*
Profit before exceptional items	**296**	347	*(14.7)*
Operating assets	**3 885**	3 209	*21.1*
Non-interest-bearing liabilities	**540**	457	*18.2*
Interest-bearing borrowings	**2 266**	1 767	*28.2*
Capital expenditure	**1 612**	1 372	*17.5*
Operating margin	**18.3%**	23.4%	
Employees	**1 644**	1 515	*8.5*
Vehicles on lease	**17 027**	14 948	*13.9*
Forklifts on lease	**9 933**	9 057	*9.7*
Vehicles under management	**10 158**	9 127	*11.3*
Forklifts under management	**816**	878	*(7.1)*

Industry structure and positioning

The division has an approximate 26% market share in the leasing of passenger and commercial vehicles and around 38% of the materials handling equipment market in South Africa. In the UK, the group's market share is relatively small given that our presence is confined to a limited geographic region.

Customers in these markets possess a fair amount of bargaining power, this being evident in both the public and private sectors. Generally demand for leasing and fleet management services has not kept pace with vehicle demand in recent years. The industry is also characterised by increased price competition and new entrants in the form of automotive manufacturers subsidising lease conditions with manufacturer-backed maintenance plans, roadside assistance and buyback guarantees to promote vehicle sales. Strong balance sheets of many private sector customers and low interest rates also enable potential customers to utilise cash resources to acquire fleets rather than outsource their requirements to us.

Whilst vehicle shortages have somewhat reduced our negotiating power with suppliers, we believe that the support we lend to our suppliers in promoting their sales, particularly in our materials handling business, has reduced our procurement costs.



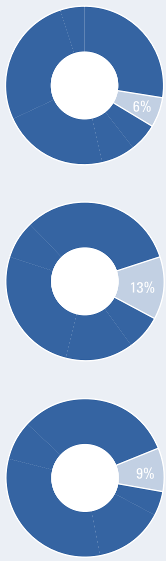
Divisional contribution

2005

Revenue
2004: 6%

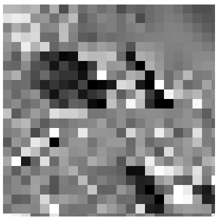
Operating profit
2004: 18%

Profit before exceptional items
2004: 15%



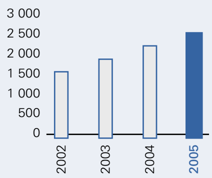
Divisional Review

Leasing and Fleet Management: *continued*



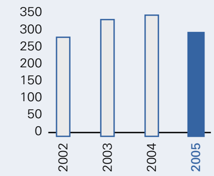
Revenue

(R millions)



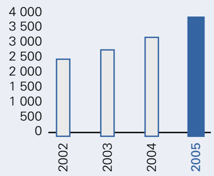
Profit before exceptional items

(R millions)



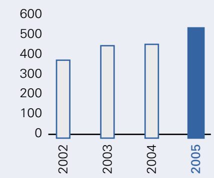
Operating assets

(R millions)



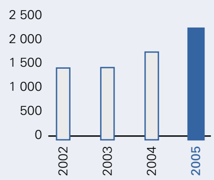
Non-interest-bearing liabilities

(R millions)



Interest-bearing liabilities

(R millions)



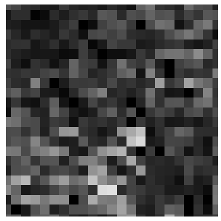
The year in review

The market remained challenging during the year. Despite this, the division recorded a 12% increase in fleet size. Revenue improved by 15% to R2,6 billion, driven both by volume growth and increased motor retailing activity in Hypercar, the division's newly established used car chain. Profitability came under pressure with operating profits declining by 11% to R469 million. This was caused by new business that was added during the period which has not made a profit contribution as yet. At the pre-tax level lower interest rates resulted in interest margin compression due to a portion of the group's capital market debt funding having been raised at fixed rates. A significant provision was raised arising from the non-payment by the National Prosecuting Authority (NPA) of a substantial claim which Imperial has against it, recovery of which is being pursued. Although the group and its legal advisors are of the view that the claim will succeed, it is considered prudent to make a provision from an accounting perspective in view of the NPA's failure to pay the amount claimed.

Our United Kingdom forklift operation disappointed, but we had an excellent result from our South African operations. Hypercar came close to breakeven with good volumes.

The division's contract with certain South African government departments expired at the end of May 2005. This contract has been extended on a short-term basis pending a tender process. We are hopeful of securing this contract for a further term.

Whilst used vehicle prices have come under pressure, we managed to realise profits on the transfer and sale of vehicles, confirming our prudent depreciation policies.



Risks and risk management

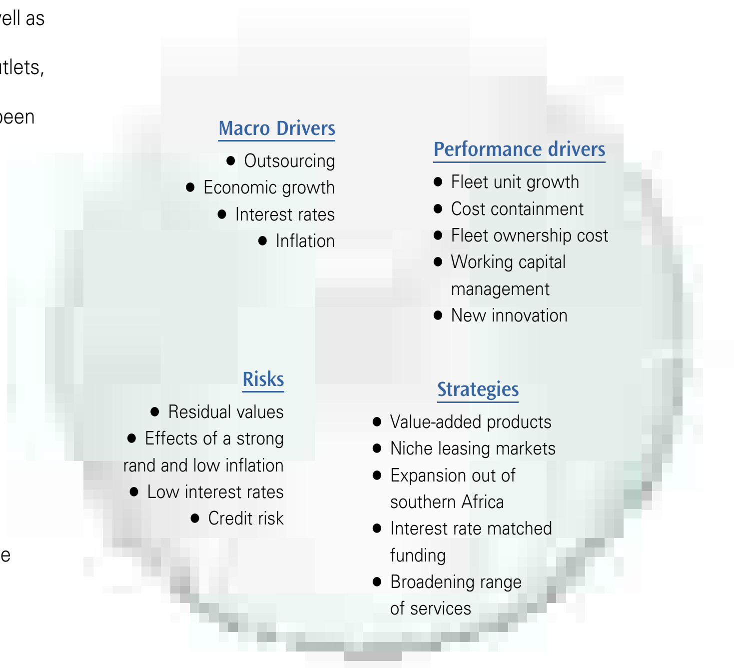
The group's leasing and fleet management interests face the following risks that are carefully managed by a risk management committee:

- ***Residual values.*** With used car prices declining in the face of competitive new car prices, residual values and disposal profits came under pressure during the past year and are likely to remain so. However, the impact thereof is fairly limited, as evidenced by disposal profits in the division declining from R59 million in 2004 to R42 million in 2005.
- ***Credit risk.*** The division assumes corporate credit risk. This risk is mitigated by a rigorous credit assessment process, as well as the strong security held over vehicles. The competitive prices at which vehicles are bought, as well as the group's ability to dispose of used vehicles through our own retail outlets, further assist in limiting credit losses. Credit losses in the past have been negligible in this division.

Strategy and outlook

We expect the current subdued market conditions to continue in the coming year. Accordingly, our strategy is to augment our current value proposition with new products, such as private consumer leasing, the leasing of new asset classes and further broadening of our marketing channels to support organic growth. The 12% expansion of our fleet in the current year will start to contribute positively to profitability in the ensuing year.

As noted earlier, we are hopeful of extending our contract with the South African government in the coming months and the industrial equipment business is expected to continue to deliver a solid performance, especially from a turnaround in our underperforming United Kingdom subsidiary.



Aviation

Business overview

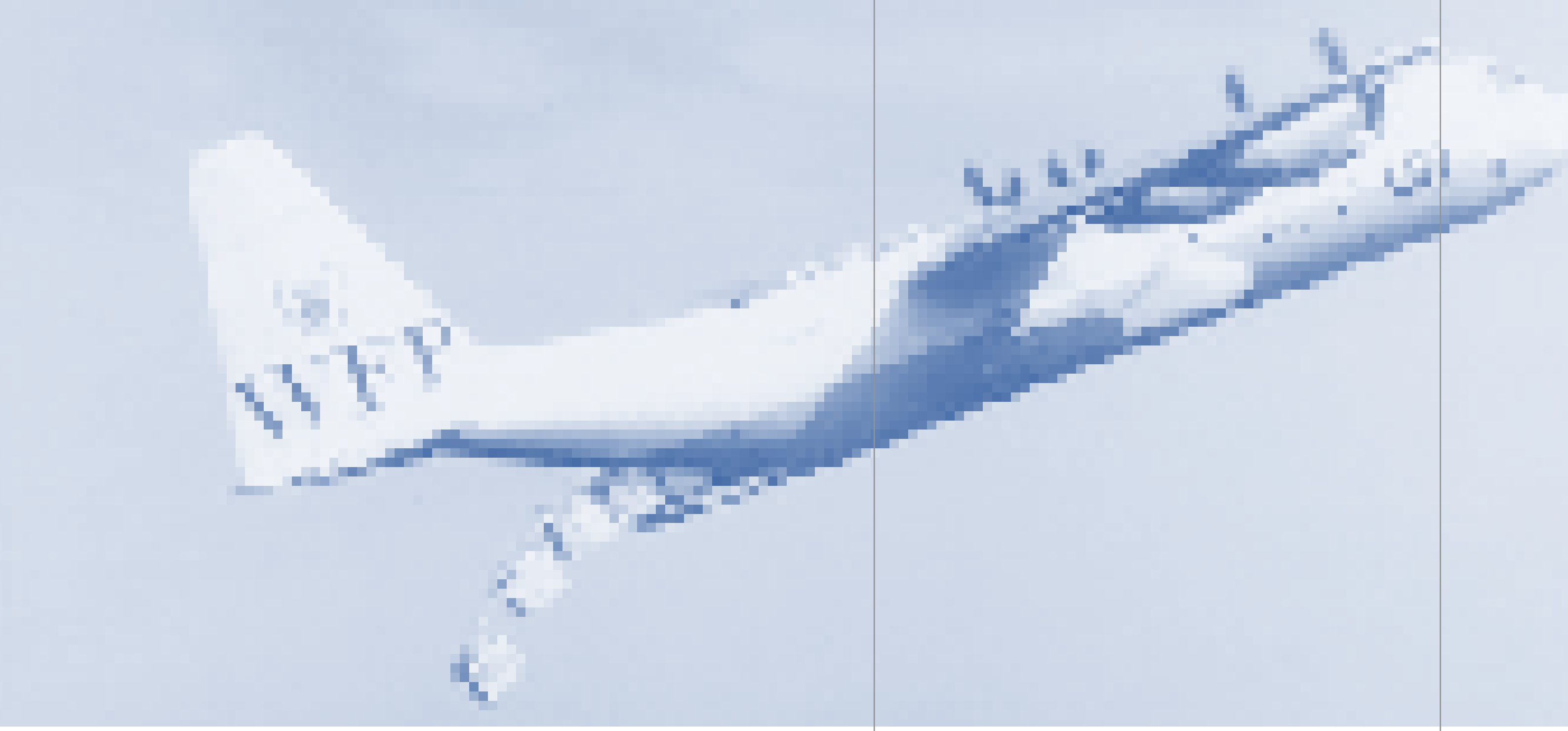
The aviation leasing division is involved in a number of segments of the aviation industry including specialised and contract operations, aircraft charter, new and used aircraft sales, leasing in its various forms, maintenance and a broad range of value-added aviation services. The division consists of Safair, Air Contractors, National Airways Corporation (NAC) and Naturelink. Safair and Air Contractors offer customers a broad range of products and services in the commercial aviation market, including narrow and wide-bodied cargo and passenger aircraft. NAC services the general aviation market with new and used aircraft sales, maintenance, pilot training and contract operations. Naturelink performs contract operations with a fleet of more than 40 aircraft and engages in aircraft sales and servicing.

✓ Revenue improved by 11%

✓ Healthy business activity and good levels of customer service

✓ Furthered our strategy to grow our value-added services

	2005 Rm	2004 Rm	% change
Revenue	2 699	2 442	10.5
Operating profit	243	263	(7.6)
Net financing cost	152	125	21.6
Profit before exceptional items	156	200	(22.0)
Operating assets	4 459	3 796	17.5
Non-interest-bearing liabilities	513	404	27.0
Interest-bearing borrowings	2 328	1 967	18.4
Capital expenditure	463	207	123.7
Operating margin	9.0%	10.8%	
Employees	1 227	971	26.4
Owned aircraft in fleet	130	105	56.2



Industry structure and positioning

The group's aviation interests compete in the global freight and passenger aviation markets and focus on niche areas within this context, such as:

- contract air transport;
- wet and dry leasing of older aircraft;
- humanitarian aid and relief work

and private aircraft ownership through:

- value-added leasing services; and
- general aviation aircraft sales and distribution.

These areas are less competitive, but require specialisation. The pure finance leasing of larger aircraft to airlines and large freight operations, to which the group has some exposure, is significantly more competitive as large global service providers are active in this market. For this reason, the group is moving away from financial leasing and is turning its attention to value-added niches with improved margins. Suppliers have a relatively small influence over the business, whilst principals that we represent in distributing their products have significant influence over certain elements of our business.

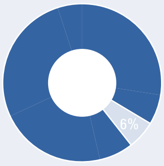
Due to the highly specialised nature of the aviation market in terms of capital, equipment, regulation, maintenance and crewing, the barriers to entry by new competitors or insourcing by customers are high. In addition, in South Africa, a significant number of competitors have recently been forced out of the industry as a result of the strong rand. However, from a global industry perspective, the possibility of an international player entering the southern African market can not be discounted.

Divisional contribution

2005

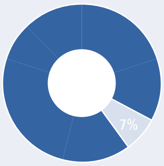
Revenue

2004: 7%



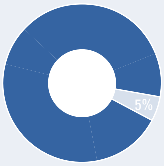
Operating profit

2004: 9%



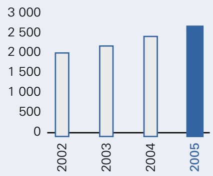
Profit before exceptional items

2004: 9%



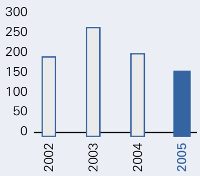
Revenue

(R millions)



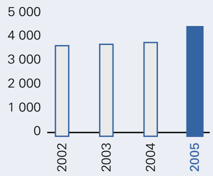
Profit before exceptional items

(R millions)



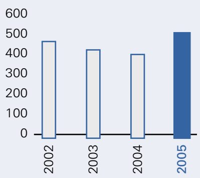
Operating assets

(R millions)



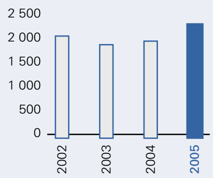
Non-interest-bearing liabilities

(R millions)



Interest-bearing liabilities

(R millions)



The year in review

The past year was difficult for this business. Whilst the fundamental trading performance of the division was sound, the strong rand had a significant impact on reported results. Revenue improved by 11% to R2.7 billion, but margins contracted to 9% (2004: 10.8%) resulting in an 8% decline in operating profit to R243 million.

Fleet utilisation and trading activity remained good. Certain leases terminated during the period and these aircraft have successfully been placed with new customers at current market rates which are lower than the expired leases. Sales volumes also remained strong in the general aviation market where we sell both new and used general aviation aircraft and helicopters. However, NAC posted poor results, whilst Naturelink performed well. The group's Irish-based business, Air Contractors experienced a tough second half as a result of start-up costs associated with new contracts in the freight integrator market, which will benefit the business in the future. Despite a sound operational performance across this division, a significant exposure to US dollar and euro revenues amidst a continued strong rand negatively impacted results.

Risks and risk management

The group's aviation interests face the following risks that are carefully managed by a risk management committee:

- *Rand strength.* A strong rand is negative for this business as it earns a significant portion of its revenue in US dollars and euros, and asset values are largely US dollar denominated. Whilst hedging is only used on a selective basis, we remain aware that this is a business which will always be diminished by a strong rand and vice versa. From a group perspective, we accept this risk

and see it as contra-cyclical to other businesses in the group which benefit from a strong rand.

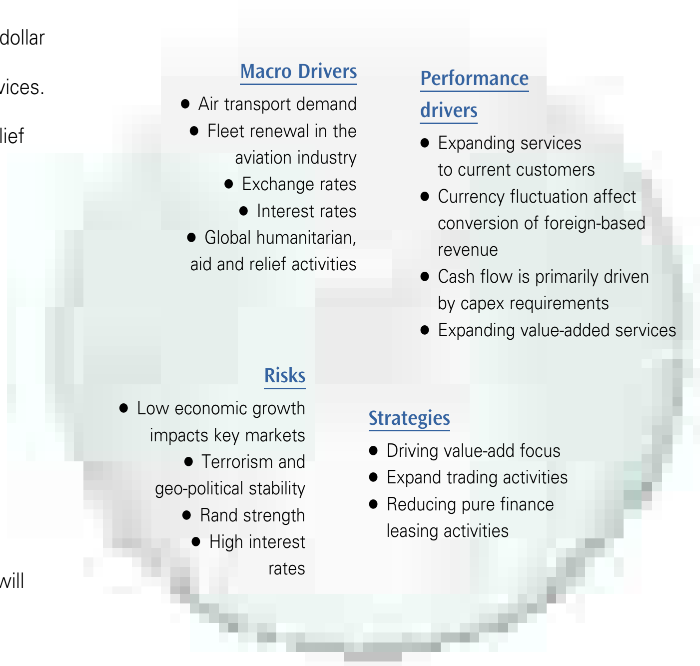
- *Bad debts and customer credit worthiness.* Constant attention is given to credit worthiness of customers given the high values of the assets that are leased. The payment history of customers to date has been good.
- *Cost management.* In the current environment, with a large international revenue base and a significant portion of rand-based costs, cost containment is of vital importance.

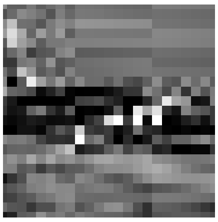
Strategy and outlook

During the past year progress has been made towards strategically repositioning the division to lessen the exposure to large rand financed aircraft with US dollar based residual values in favour of the delivery of more value-added services. The division continued to increase its activities in humanitarian aid and relief markets and full maintenance leases. To this end, five additional Hercules aircraft were added to the fleet and one was sold, significantly bolstering capacity in this specialised market. In addition, new business has focused on securing value-added leases, where the group provides not only the aircraft, but various other value-adding elements which include maintenance and repair services, crewing and customising aircraft.

The fundamentals of the operations continue to improve. As the focus on value-added activities intensifies, it is expected that capital requirements will ease. Accordingly, it is expected that reduced capital expenditure will result in this business in future.

The markets in which we operate continue to improve. Aircraft values have shown signs of improvement and for the most part our customers are trading well, albeit under tough operating conditions. Given a stable currency, we expect an improvement in the trading performance of our aviation interests and that results would improve significantly in a weaker currency environment.





Car Rental and Tourism

Business overview

The car rental and tourism division operates one of the largest car rental businesses in southern Africa and has a significant presence in the regional tourism market which includes a 67% interest in its listed subsidiary, Tourvest. The business is positioned in one of the most exciting sectors of the economy, and although macro-economic effects like the strength of the rand and global political instability are affecting current trading conditions, it is well positioned to deliver solid growth in the years ahead.

- ✓ Operating profit increased by 14%
- ✓ Car rental business experienced strong demand
- ✓ Tourism interests well positioned for future growth

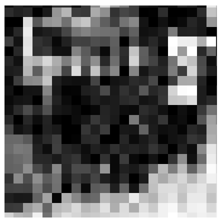
	2005 Rm	2004 Rm	% change
Revenue	3 069	2 952	*4.0*
Operating profit	495	433	*14.3*
Net financing cost	27	38	*(28.9)*
Profit before exceptional items	471	371	*27.0*
Operating assets	1 869	1 738	*7.5*
Non-interest-bearing liabilities	501	461	*8.7*
Interest-bearing liability	163	311	*(47.6)*
Capital expenditure	867	825	*5.1*
Operating margin	16.1%	14.7%	
Employees	4 755	4 831	*(1.6)*
Fleet size	10 090	9 548	*5.7*

Industry structure and positioning

The group's car rental interests are one of the largest in the South African car rental industry, whilst Tourvest, a 67%-owned subsidiary, is uniquely positioned as a leader in its field.

The division operates under very competitive conditions, particularly in car rental where price pressure is the order of the day. The growing inbound (from foreign countries) and local tourism markets are also relatively price sensitive given the role played by intermediaries in the buying process and the bulk buying power they exert. Other global destinations compete with South Africa for tourists who make a choice of travel destination based on value for money and issues related to personal safety. In this context, movements in the value of the rand have a significant impact on buying decisions as do geopolitical stability.

Whilst competition is fierce, the lack of public transport infrastructure in South Africa supports the long-term certainty of strong demand for the service. The established nature of the industry makes it relatively difficult for new entrants to grow to a significant size. In the case of leisure travel, consumers are spoilt for choice, and effective targeted marketing, product design and reliability are required to ensure a growing market share. Tourvest has, however, consolidated a strong position in this market, which counteracts the power of suppliers to some extent and reduces the impact that small entrants may have on its business. The growth potential in the South African tourism industry is immense, making it an attractive market despite challenges presented by the strong rand.

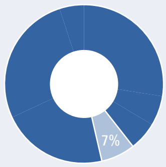


Divisional contribution

2005

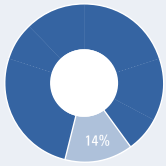
Revenue

2004: 8%



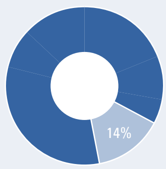
Operating profit

2004: 15%



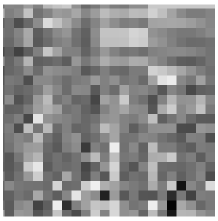
Profit before exceptional items

2004: 16%



Divisional Review

Car Rental and Tourism: *continued*



The year in review

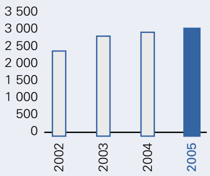
The car rental and tourism businesses had a good year, which saw operating profit increase by 14% to R495 million. Whilst the inbound tourism market continued to feel the effects of the strong rand, the car rental businesses were buoyed by strong demand, particularly in the domestic tourism segment. Excluding Tourvest, revenue improved by 5%, driven by strong volume growth in the car rental businesses and a good performance by Auto Pedigree. The rental market was highly competitive in most areas. Despite this, good utilisation levels resulted in better efficiencies and, together with a reduced depreciation charge, operating margins improved from 15.6% last year to 17.9%. Divisional revenue increased by 4% to R3.1 billion.

The car rental businesses experienced strong demand patterns in both the corporate and local leisure markets. The growth experienced by the low-cost airline industry in South Africa has accelerated demand in the local leisure market in particular. As the strength in demand was somewhat unexpected, we experienced occasional fleet shortages. With further growth expected to continue, we intend to increase our vehicle fleet for the coming year.

The tourism operations experienced relatively challenging trading conditions. Tourist volumes and buying patterns were affected by the strength of the rand. Tourvest was similarly affected by these issues and experienced pressure on revenue and profitability. Tourvest's revenues and operating profit increased by 3%, though its earnings per share were up by 81%, largely due to a high tax (STC) charge last year.

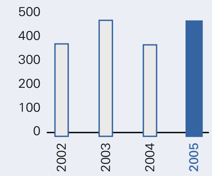
Revenue

(R millions)



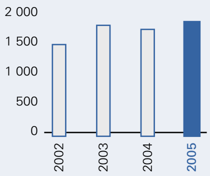
Profit before exceptional items

(R millions)



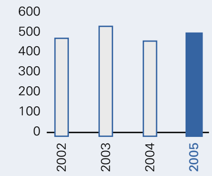
Operating assets

(R millions)



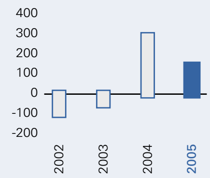
Non-interest-bearing liabilities

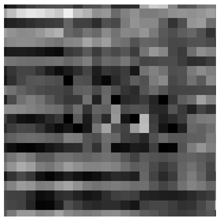
(R millions)



Interest-bearing liabilities

(R millions)





Risks and risk management

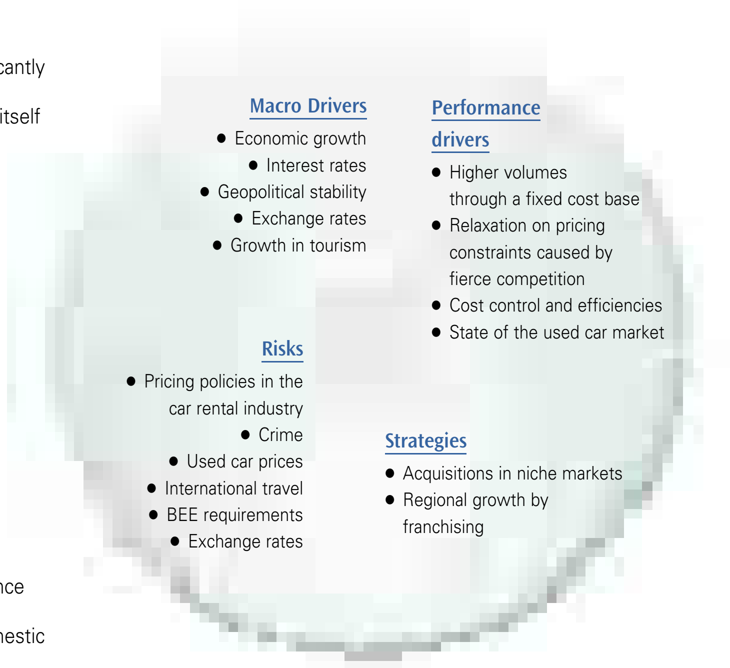
The division's risk identification process has revealed the following key risks:

- *Used car prices.* These have been on a three-year declining path as new car prices became more competitive. To strengthen our ability to dispose of our off-fleet vehicles at competitive prices, we have expanded our used car dealer network.
- *Black economic empowerment.* While this will undoubtedly strengthen the South African economy and broaden our market, we are experiencing increasing competition in this regard. However, our recent BEE initiatives on a group-wide and division specific basis have proved to be well accepted by our customers.
- *Exchange rate.* Especially in Tourvest, the strong rand has significantly reduced the spending by foreign visitors, and this business is realigning itself to the changed environment.

Strategy and outlook

The group's car rental and tourism businesses will seek to expand within the southern African region with due regard to returns and associated risks. The stability of the region will be an important factor in considering these opportunities. We will pursue suitable acquisitions to expand our activities in niche areas, particularly in Tourvest where a variety of opportunities exist.

The outlook for the division is positive in the light of a growing acceptance of South Africa as a safe and attractive travel destination, a strong domestic economy which demands business travel and a large number of international conventions and sporting events in the offing, not least of which is the hosting of the 2010 Soccer World Cup with all the preparations preceding this event. Activity levels in all segments of tourism are expected to improve, which would be boosted by a weaker currency. The growing low-cost airline industry is expected to bolster further growth in the domestic tourism market.



Distributorships

Business overview

The division is the exclusive importer and distributor of a range of automotive products, vehicles, motor cycles, heavy trucks, auto parts and power generators. It also manufactures and distributes NGK sparkplugs. As part of its operations it owns 78 retail outlets. This division also provides financing opportunities for customers as well as value-added products such as maintenance plans and risk products. In addition, the division owns nine Ford dealerships in Sydney, Australia.

✓ All brands and dealerships contribute to excellent results

✓ Building a strong, diversified and sustainable distribution business

✓ Strong growth in revenue and profits

	2005 Rm	1004 Rm	% *change*
Revenue	**9 655**	6 285	*53.6*
Operating profit	**928**	566	*64.0*
Net financing cost	**43**	83	*(48.2)*
Profit before exceptional items	**1 039**	437	*137.8*
Operating assets	**5 211**	2 798	*86.2*
Non-interest-bearing liabilities	**2 380**	1 082	*120.0*
Interest-bearing borrowings	**978**	434	*125.3*
Capital expenditure	**579**	392	*47.7*
Operating margin	**9.6%**	9.0%	
Employees	**4 571**	2 904	*57.4*

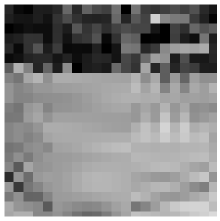
Industry structure and positioning

This division is an importer and distributor of vehicles and automotive components. Imported motor vehicles have captured significant market share in South Africa because of good affordability and value for money. The automotive market is competitive and consumers have a wide choice of makes and models, resulting in keen pricing by manufacturers and distributors to maintain market share.

We maintain close relations with our suppliers and cooperate with them continuously in order to enhance the brands' positioning and image within South Africa. We are continuously improving our dealer network to provide customer satisfaction and increase retail volumes.

There are significant entrance barriers in the market for an importer, driven mainly by the costs of infrastructure, logistics, stockholding and bonded warehousing. The retail distribution environment is very competitive and good retail sites are sold at a premium.

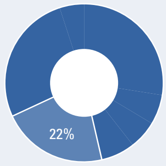
Our passenger vehicle interests are particularly well placed to gain from a burgeoning consumer base in South Africa. The entry of many new consumers into the mainstream economy has resulted in significant growth in our sales to previously disadvantaged consumers. Whereas five years ago we sold approximately 5% of our new vehicles to these consumers, this figure has now risen to around 25%. We believe that up to half of our sales could be from this segment in five years' time, as the portion of black consumers who do not own cars is still exceptionally high.



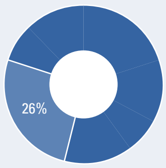
Divisional contribution

2005

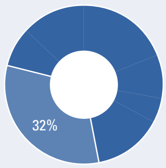
Revenue
2004: 17%



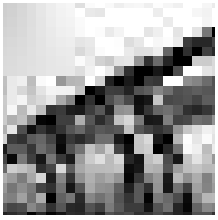
Operating profit
2004: 19%



Profit before exceptional items
2004: 19%

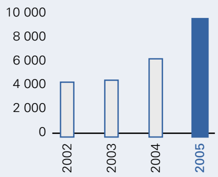


Distributorships: *continued*



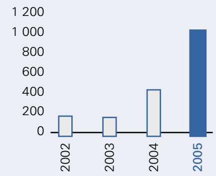
Revenue

(R millions)



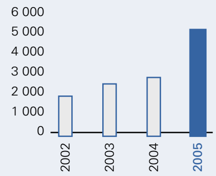
Profit before exceptional items

(R millions)



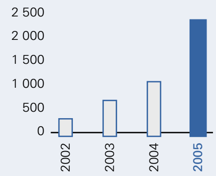
Operating assets

(R millions)



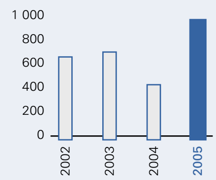
Non-interest-bearing liabilities

(R millions)



Interest-bearing liabilities

(R millions)



The year in review

The group's distribution interests had an outstanding year. Strong demand in the passenger and commercial vehicle markets buoyed revenue by 54% to R9.7 billion. In addition to the distribution of passenger cars and light commercial vehicles, the division's performance was boosted by heavy truck and auto parts distribution in Tyco and Lectrolite, as well as income from 76 car dealerships and seven heavy truck outlets, through which 85% growth in new and used unit sales were achieved over 2004.

Motor vehicle purchases by new emerging consumers were particularly evident in the passenger market. Whilst this trend was fuelled by favourable economic conditions for the consumer, we believe that structural factors of a permanent nature have caused a great deal of the increased demand. Good economic conditions also supported growth in the commercial segments. Profitability grew strongly, with margins increasing to 9.6% from 9.0%. This was supported by improved economies of scale, more emphasis on maintenance, service plans, extended warranties and financial services, which secured more back-end and after-sales income streams. The division was our largest profit contributor.

During the year, we gained the distribution rights for Renault trucks and Lotus sports cars. In addition, we acquired nine Ford dealerships in Australia. Since the year-end, a subsidiary, Pearl Automotive, acquired the Proton distributorship to replace the MG Rover distributorship after the latter's international demise.

Risks and risk management

The division faces the following primary risks:

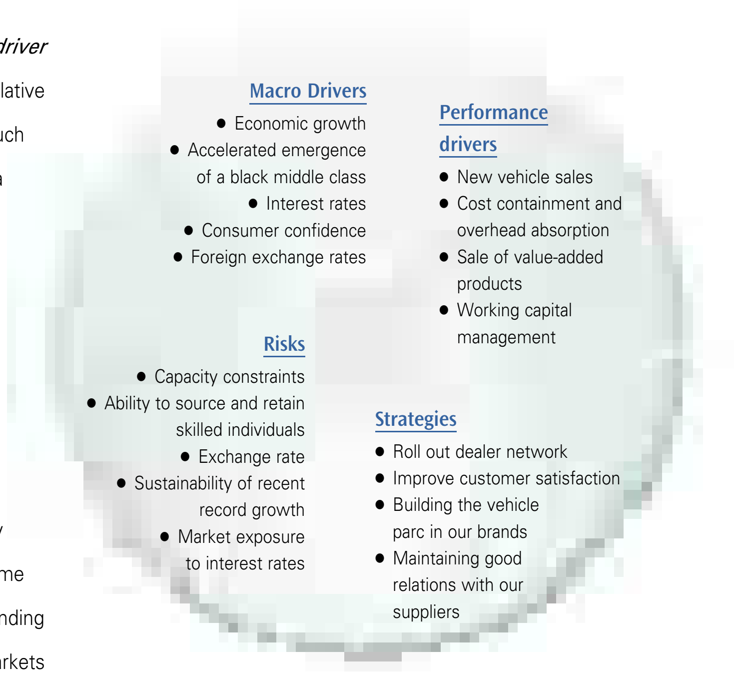
- *Capacity constraints.* These are a key issue for our distribution businesses and the automotive market as a whole. Following strong growth in vehicle sales, the infrastructure to handle repairs and maintenance, as well as logistics and the availability of skills in both management and technical

disciplines remains challenging. Our businesses have managed to add significant capacity to cope with current growth and have also invested in technical training to bolster after-sales activity.

- *The sustainability of the upward trend in the market is considered a risk.* A sharp rise in interest rates and vehicle prices for whatever reason will certainly dampen demand. Whilst the current high growth rate is expected to slow from the exceptionally buoyant conditions prevailing for the past year, we expect the market to remain healthy. An increase in after-sales income should mitigate against the softening in the new vehicles market, as these income streams are more profitable and sustainable. Given the rapid growth in the market, the vehicle parc in the brands we represent continues to increase, which increases after-sales income.
- *The strength of the rand against foreign currencies is an important driver of this business.* Were the rand to weaken significantly, it could affect relative pricing, dampen demand and lead to contracting margins. However, in such an event, all suppliers, including local assembly plants, who also have a significant imported content are likely to increase prices, enabling us to retain our competitive advantage. In addition, we regularly take forward exchange cover for our future purchases for up to 12 months.

Strategy and outlook

Our strategy for the forthcoming year is to continue the expansion of the distribution network and to ensure that our customers receive good quality service. This will assist the development and growth of after-sales income streams. We are continually assessing the attractiveness of surrounding territories in southern Africa for expansion possibilities. However, these markets are small. We are optimistic about the outlook for the South African motor retail industry amidst sound economic fundamentals and a robust demand from the emerging consumer. We have budgeted for growth of around 8% in sales volumes in the current financial year and these conditions should remain supportive of continued growth.



Motor Dealerships

Business overview

Imperial Holdings owns the largest network of motor dealerships in South Africa, representing all the major original equipment manufacturers. The business has a clearly defined strategy to continue its record of growth, innovation and top quality customer service. These critical success factors are all aimed at delivering superior returns and generating strong cash flows.

✓ Revenue increased by 20% to R12,1 billion

✓ The division achieved its cash management objectives

✓ The division added 13 new dealerships during the year

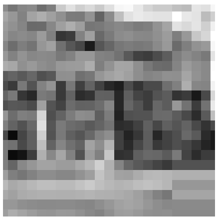
	2005 Rm	2004 Rm	% change
Revenue	12 073	10 090	19.7
Operating profit	301	275	9.5
Net financing cost	31	31	
Profit before exceptional items	272	244	11.5
Operating assets	2 320	1 791	29.5
Non-interest-bearing liabilities	1 050	709	48.1
Interest-bearing borrowings	121	19	536.8
Capital expenditure	195	95	105.3
Operating margin	2.5%	2.7%	
Employees	4 705	4 310	9.2

Industry structure and positioning

In this division, we represent all of the locally assembled vehicle brands through 100 dealerships countrywide. Combined with the distributorship division's interests, our dealerships retail a significant portion of motor vehicles sold in South Africa. The insurance interests and the vehicle finance operations of our associate, Imperial Bank, enjoy access to the division's customer base and have grown to become significant niche players in their respective markets through the association.

The motor dealership market is highly competitive, with little differentiation apart from dealership branding and service levels. Customers' current buying power is strong due to the relatively healthy financial state of the consumer. However, in this division, our ability to manage margins is somewhat impaired as a result of the significant influence of suppliers over our business through franchise agreements, in terms of our infrastructure spend, pricing, marketing and financing.

Due to the lack of a sophisticated public transport system, vehicle ownership is virtually imperative for economically active consumers in South Africa, which ensures long-term growth in demand for the division's products.

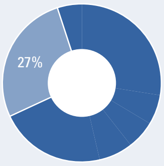


Divisional contribution

2005

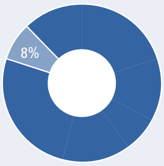
Revenue

2004: 27%



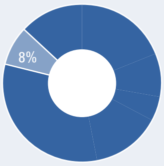
Operating profit

2004: 9%

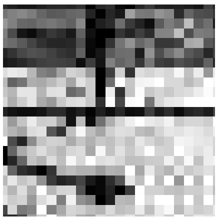


Profit before exceptional items

2004: 10%

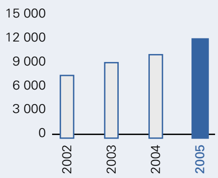


Motor Dealerships: *continued*



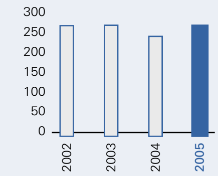
Revenue

(R millions)



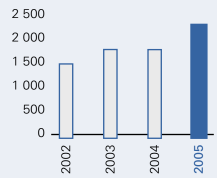
Profit before exceptional items

(R millions)



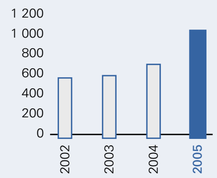
Operating assets

(R millions)



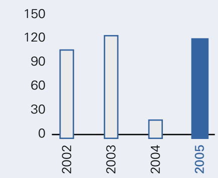
Non-interest-bearing liabilities

(R millions)



Interest-bearing liabilities

(R millions)



The year in review

The division benefited from an extremely buoyant new vehicle market, but despite the strong volume performance of the new vehicle segment, margins remained under pressure. It acquired eight new dealerships during the year, including a DCSA outlet in the Limpopo province and a BMW dealership in Germiston in partnership with Ukhamba. It was also awarded five new franchised outlets.

Revenue increased by 20% to R12.1 billion, driven mainly by volume growth as pricing has remained static for about two and a half years. Operating profit increased by 10% to R301.0 million. Margins declined to 2.5% from 2.7% due to a changing sales mix and the impact of inflation on our overheads while nominal gross profits per unit were weak. The division maintained sound cash flow management and achieved its goal of pre-capital expenditure cash flow exceeding its profit.

The group (including all sales by other divisions) retailed a total of 136 882 (2004: 93 422) vehicles during the year of which 45 002 (2004: 36 771) were used vehicles. Whilst growth in used vehicle sales was behind that of new vehicles, we continue to pursue our goal of selling one used vehicle for every new vehicle in time.

Risks and risk management

The division faces the following key risks:

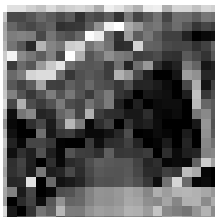
- *Significant capital investment in property.* This risk is managed through performing extensive feasibility studies on each new dealership in conjunction with the relevant manufacturer.

- *Material increases in interest rates.* New and used vehicle volumes are currently supported by stable vehicle prices on the back of low interest rates. In this respect it is important that the cost absorption generated from after-sales income is significant. The division focuses on this aspect of the business in order to be resilient against a downturn in economic fortunes.
- *Cancellation of franchise agreements.* These agreements typically have a short tenure. Accordingly, the division maintains a close relationship with manufacturers to ensure joint long-term planning of dealerships.

Strategy and outlook

We continue to pursue acquisitions in under-represented brands to bolster our position in growing areas of the motor retail market. Combining ancillary products and cooperation within the group, we aim to bolster annuity income streams for this division and the group as a whole. We have made good progress in expanding our used vehicle sales capacity, and this remains a key element of our strategy for capturing further opportunities in the value chain.

We are optimistic about future prospects. Whilst profit margins are likely to remain under pressure, we expect good volume growth to be maintained.



Insurance

Business overview

Regent Life

Regent Life is primarily a a provider of credit life cover to motorists acquiring vehicles on credit. The business also provides group life cover and has a small individual life business. The main focus of Regent Life's activities is to capture the additional business opportunities available when a customer purchases a motor vehicle. A significant component of its business originates from Imperial dealerships or as a result of the group's positioning in the motor industry. The other lines of business have grown from the expertise gained in the credit life environment and have become an integral part of its business model.

Regent Insurance

Regent Insurance is a niche insurer providing a range of short-term insurance products in the transport and mobility markets. The greater part of its business is generated from outside of the Imperial group. Regent Insurance provides the group with the opportunity to unlock further value from its customer interactions as well as to reduce the costs involved in insuring the group's assets and operations. A major achievement has been its successful expansion into niche broker markets.

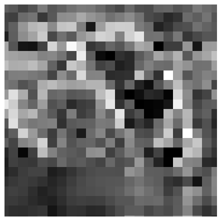
- ✓ Revenue grew by 24% to R2 billion
- ✓ Strong equity markets boosted investment performance
- ✓ Another excellent underwriting performance

	2005 Rm	2004 Rm	% change
Revenue	2 027	1 631	*24.3*
Gains on investment	190	49	*(288)*
Operating profit	419	274	*52.9*
Profit before exceptional items	420	273	*53.8*
Operating assets	2 551	2 057	*24.0*
Non-interest-bearing liabilities	1 594	1 347	*18.3*
Capital expenditure	17	21	*(19.0)*
Operating margin	20.7%	16.8%	
ROE	40%	31%	
Employees	570	510	*11.8*

Industry structure and positioning

The group's insurance interests are niche oriented in markets closely aligned with the motor industry. Regent Life provides credit life products to support vehicle finance agreements and Regent Insurance offers a range of short-term insurance products, including comprehensive motor cover, warranty insurance, mechanical breakdown and top-up cover. Products are principally sold through vehicle dealerships and related distribution channels along with a range of competitor insurers. The division enjoys strong support from group companies, due to its intimate knowledge of the industry and customer requirements.

Our insurance businesses do not generally compete with the larger traditional insurers due to their niche positionings. The key barrier to entering this market is the establishment of distribution channels. Alignment to a major motor dealership organisation is valuable in this regard. Many of the players in this market have already established alliances with major dealer organisations, making it difficult for new entrants into the market. Because our products are tailor-made for dealer financed sales, traditional insurance products and distribution channels are less suitable for the purpose and are generally uncompetitive. Warranty insurance and mechanical breakdown cover are often offered by manufacturers as a substitute, but this is limited to new vehicles sales, whereas the used vehicle market represents a large part of our business.

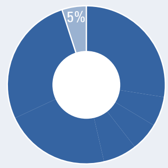


Divisional contribution

2005

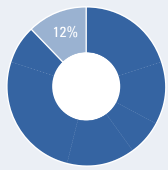
Revenue

2004: 4%



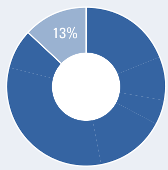
Operating profit

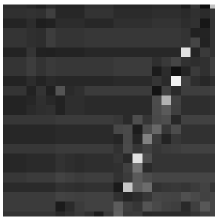
2004: 9%



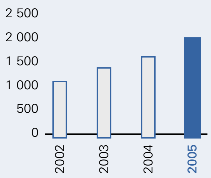
Profit before exceptional items

2004: 12%

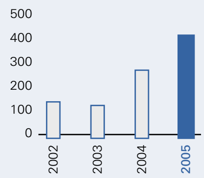




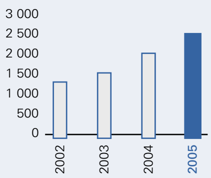
Revenue
(R millions)



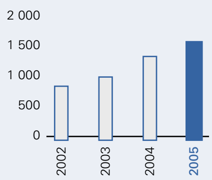
Profit before exceptional items
(R millions)



Operating assets
(R millions)



Non-interest-bearing liabilities
(R millions)



The year in review

The group's insurance businesses had a great year, buoyed by strong demand in the automotive market. Strong equity markets provided an additional fillip by boosting investment gains from R49 million last year to R190 million this year. Revenue grew by 24% to R2 billion.

Supported by good underwriting conditions, Regent Insurance, our short-term insurer, achieved strong growth in its underwriting profit from R78 million last year to R96 million where the claims experience was significantly better than expected. In both Regent Life and Regent Insurance improved economies of scale resulted in a reduction in unit costs. Pre-tax profits improved by 54% to R420 million. The life operation also saw good underwriting results, and we are now taking on more risk while making less use of re-insurance in both operations. This has enhanced profitability without impacting negatively on claims experience.

The group acquired a 60% interest in Lesotho National Insurance Holdings during the year and it operated successfully.

Risks and risk management

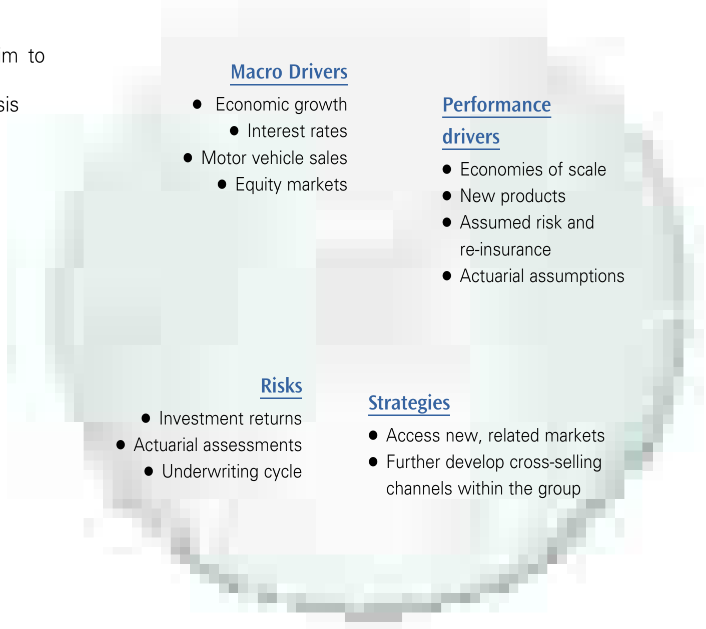
The insurance operations face the following key risks:

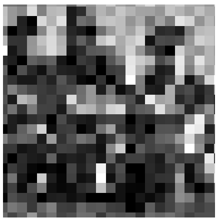
- *Underwriting risk assessment.* An improvement in claims experience was achieved with more emphasis being placed on actuarial assessment across the business, through a better understanding and quantification of insured risks. As a result, we have been able to reduce our reliance on reinsurance, which improved profitability.
- *Equity markets.* The performance of the equity markets are a major factor in our profitability. Given the current sound economic fundamentals, we expect further growth in these markets, albeit at a slower rate than last year.

Strategy and outlook

The strategy of this division remains unchanged from last year. We aim to expand our credit life business into non-motor markets on a selective basis and to launch new savings- and risk-based products. The short-term business aims to penetrate the traditional broker market in a bigger way. This is a potentially lucrative market for this business and an area where we are under-represented. We are also continually developing distribution channels that are independent of the group.

Further pressure on insurance rates is expected in the year ahead, which is caused not only by a general decline in rates as global risk premiums subside, but also due to increased competition. This should be balanced by continued growth in the motor retail industry and in particular the used vehicle market. The expected volume growth should further improve the economies of scale across our insurance businesses. We do not expect significant changes in the underwriting cycle in the year ahead, but we do expect further improvement in claims experience due to better underwriting risk assessment.





Associates

✓ Renault experienced good trading conditions

✓ The commencement of Tata passenger and light commercial vehicles distribution

✓ 25% asset growth in Imperial Bank

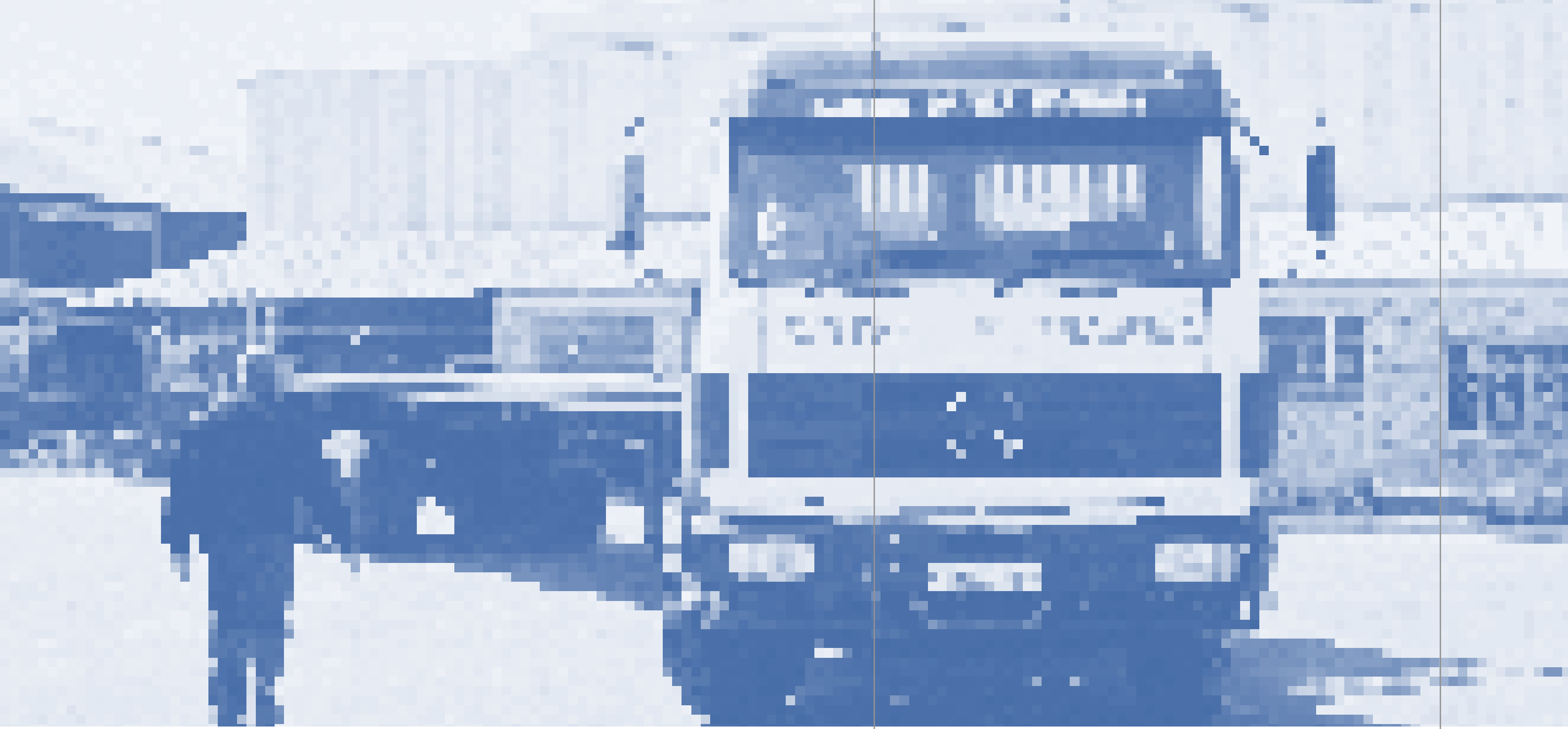
Imperial Bank

Our share of Imperial Bank's profit declined from R108 million to R91 million, mainly due to a reduction in income from the assets bought from Saambou Bank, as well as an increase in bad debts in the aviation finance division due to the strong rand. The motor and property finance divisions performed well.

	2005 Rm	2004 Rm	*% change*
Profit before tax	**213**	233	*(9)*
Profit after tax	**183**	216	*16*
Our share of attributable profits	**91**	108	*(16)*
Year-end book	**16 842**	13 249	*27*
Cost to income	**39.9%**	36.2%	
Bad debts/average advances	**1.5%**	1.9%	
ROE	**15.6%**	24.1%	
ROA	**1.1%**	1.7%	

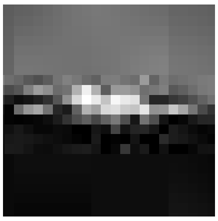
Renault South Africa

Renault South Africa experienced good trading conditions with substantially increased profits. It achieved strong growth in its market with a good vehicle range.



Tata South Africa

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



Safair Lease Finance

Safair Lease Finance's contribution declined mainly due to the strong currency and the effect of fair valuing financial hedging instruments.

	2005 Rm	2004 Rm	% *change*
Revenue	**421**	412	*2*
Profit after tax	**90**	130	*(31)*
Our share of attributable profits	**45**	65	*(31)*
Operating assets	**3 714**	3 691	*1*
Interest-bearing borrowings	**3 315**	2 684	*24*

Ukhamba Holdings

Ukhamba Holdings continues to develop into a very credible broad-based black economic empowerment business.

	2005 Rm	2004 Rm	% *change*
Revenue	**56**	67	*(16.4)*
Operating profit	**6**	6	
Profit after tax	**22.0**	8.0	*175.0*
Our share of attributable profits	**10.3**	4.0	*158.0*
Total operating assets	**263**	67	*292.5*
Operating margin	**11.2%**	9.2%	
Number of employees	**494**	943	*(47.6)*

Cash generation continued to grow, while good progress is being made in restructuring the balance sheet to optimise returns to shareholders.

Imperial Holdings remains well positioned to continue its uninterrupted growth path. The group has the required financial resources and ability to access capital to fund further growth. Notwithstanding capital availability from external sources, internal cash generation continues at a good rate. We have further scope to restructure the group's balance sheet to optimise returns for shareholders and we are making good progress to this end.

Income statement

Under strong trading conditions in many areas of the business, revenue increased by 22% to R42.5 billion. The operating margin was maintained at 8.3%, which, together with the increased revenue, resulted in operating profits of R3.5 billion, up 23% against the corresponding period.

Despite lower inflation and its effect on the residual values in all our fleet-owning businesses, recoupments of depreciation on asset disposal remained high at R217 million (2004: R302 million). In order to better reflect true depreciation, the annual depreciation rate on vehicles for hire was decreased from 25% to 20% per annum, which resulted in a R41 million reduction in the depreciation charge net of recoupments. Overall depreciation net of recoupments, at R1 322 million increased by 11% against a 17% increase in the group's fleet assets.

The slight weakening of the rand during the latter part of the financial year had a positive impact on the results. A realised forex gain of R7 million was recorded against a loss of R30 million last year, and fair value gains on foreign exchange derivatives amounted to R107 million against an R82 million loss in the previous year. Fair value gains on equity investments in our insurance businesses were also higher at R190 million (2004: R49 million).

Interest cost increased principally due to fair value losses on debt and swap instruments of R32 million compared to gains of R55 million last year. Net finance costs amounted to R586 million (2004: R478 million).

Income from associates declined from R228 million to R216 million as a result of the disposal of the interest in DAWN Limited and a decline in profits of Safair Lease Finance and Imperial Bank.

Our tax rate increased to 32.6% from 31.2% in the previous year despite the 1% lower corporate tax rate. This resulted predominantly from the receipt of a revised assessment on a finance structure. Whilst we will challenge this assessment, we regard it prudent to provide for the revised charge.

Headline earnings per share increased by 25% to R10.46 versus a restated base of R8.36 (previously R8.41). The previous year's income statement was restated for changes to the basis of accounting for operating leases.

Earnings per share increased by 46% to R11.68 (2004 restated: R7.98).

Balance sheet

The group's balance sheet remains resilient. During the period, total assets grew by 24% to R29 billion. This growth was driven primarily by an expansion in the leasing and fleet management, distributorships, dealerships and insurance businesses.

Gross debt to equity increased from 73% to 80% and from 59% to 69% net of cash resources. A strategy is currently being implemented which would ultimately facilitate more appropriate gearing of our quasi-banking assets through the planned ring-fencing of our fleet assets in a separate entity. In this way, the group would be able to secure long-term matched maturity funding in the capital markets at more competitive rates. Were we to apply an appropriate gearing level of say 4:1 to the group's vehicle fleets of R6.5 billion, the remainder of the group's balance sheet would be only marginally geared.

In terms of the Lereko empowerment transaction which was concluded at the year-end, we recognised a creditor of R1.4 billion, of which up to R833 million will be reinstated as equity when the debt raised to fund the share purchase is fully or partially settled in five years' time.

As from the end of December the distributorship division applied hedge accounting to all of its foreign exchange contracts (FECs). This resulted in a fair value gain of R80 million on the FECs being transferred to non distributable reserves. When the inventory is raised on the balance sheet this amount will be transferred out and included in the carrying value of the inventory which will have been translated into rand at the applicable spot rate. This accounts more appropriately for the FECs as its purpose is to specifically hedge the cost of inventories.

Cash flow

Cash flow from operating activities increased from R3.1 billion to R3.2 billion despite absorbing an increase in net working capital of R473 million. Working capital increased mainly as a result of an increase in inventories necessitated by the substantial growth in trading activity in the distributorships division. The group's free cash flow of R2.3 billion equates to 110% of headline earnings (2004: 144%), reflecting the group's ability to generate strong cash flows.

Expansion capital expenditure increased from R1.2 billion to R1.9 billion and replacement capital expenditure went up from R0.7 billion to R0.9 billion largely as a result of the increase in the revenue-producing assets.

Lereko transaction

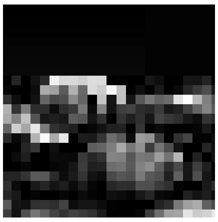
During June 2005 the group concluded a second black economic empowerment transaction with Lereko Mobility. The implementation of this transaction straddled the year end and the only part that is reflected in the current year's financial statements are the shares purchased as treasury stock from shareholders. The rest of the transaction will be accounted for in the new financial year.

The salient features of the transaction are:

- The group purchased shares to be held as treasury shares from existing shareholders to the value of R1.4 billion in terms of a section 311 Scheme of Arrangement.
- Shareholders were required to invest R458 million of the proceeds of this share buyback in a debenture issued by Lereko Mobility.
- Lereko Mobility raised additional funding of R377 million from banks.
- Lereko Mobility subscribed for 8 319 323 preferred ordinary shares in Imperial at R96.85 and a further 6 197 294 preferred ordinary shares at their par value of 4 cents. Through the issue of shares below their market value Imperial effectively provided R600 million of notional funding.

From an accounting point of view this transaction will have the following impact in the year to June 2006:

- Although Imperial owns 49% of Lereko Mobility it will have to be consolidated as the notional funding provided by Imperial ranks after the other funding.
- The group will reflect Lereko Mobility's debt of R833 million as equity-settled debt.
- The group will incur additional financing costs on the R833 million equity-settled debt and notional funding of R600 million.
- From an earnings per share perspective the additional financing costs will be offset by the reduced number of shares in issue.
- Based on the current interpretation of IFRS there should be no significant impact on the income statement and balance sheet except for the restatement of the 2005 income statement for the adjustment referred to below under the heading International Financial Reporting Standards.



The group's first report and accounts prepared under IFRS accounting policies will be for the year ending 25 June 2006 and the first interim results will be for the six months ending 25 December 2005.

Accounting policies

The accounting policies adopted in the preparation of the group's annual financial statements are consistent with those applied for the year ended 25 June 2004 except for the changes detailed below.

1. AC 140 – Business Combinations

During the current year the group adopted AC 140 – Business Combinations, which results in goodwill no longer being amortised but rather reviewed for impairment. Negative goodwill of R17 million was credited to opening retained earnings at 26 June 2004. As this is a prospective adjustment, comparatives have not been restated.

2. AC 105 – Leases

According to recent accounting developments, operating lease expenses should be charged to the income statement, on the straight-line basis, unless another systematic method is more representative of the time pattern of the user's benefit. Previously operating leases were accounted for as an expense when incurred. As this is a retrospective adjustment comparatives have been restated.

3. Revenue Classification

During the year, the Tourvest Inbound division changed its definition of revenue. In line with the practice in the industry, revenue from Tourvest Inbound Operations is now accounted for on a net commission basis, that is commissions receivable. Previously, revenue was accounted for on gross amounts billed to customers. Comparatives have been restated accordingly.

Previously, dividends and interest earned in the insurance businesses were classified as revenue. In the current year this classification was changed to include it in investment income as part of operating profit.

The impact of the above changes is fully outlined in note 2 to the annual financial statements.

International Financial Reporting Standards

The group has completed its initial assessment of the estimated impact of IFRS and the directors feel it is appropriate to update shareholders in this regard.

Imperial Holdings has, up to 25 June 2005, prepared consolidated financial statements in accordance with South African Statements of Generally Accepted Accounting Practice.

For accounting periods beginning on or after 1 January 2005, companies are required to prepare consolidated financial statements in accordance with International Financial Reporting Standards.

The group's first report and accounts prepared under IFRS accounting policies will be for the year ending 25 June 2006 and the first interim results will be for the six months ending 25 December 2005.

Detailed below is a summary of the changes arising from the adoption of IFRS and their estimated retrospective impact on the financial statements for the year ended June 2005. The summary is only an indication or a best estimate at this stage and has not been audited.

The financial information presented below has been prepared on the basis of those International Financial Reporting Standards, International Accounting Standards, and International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretations Committee (SIC) interpretations that are expected to be applicable for the June 2006 year-end. They are subject to ongoing review and endorsement by the South African Institute of Chartered Accountants and the Accounting Practices Board, whilst the applicability of the standards continues to be subject to interpretation by IFRIC as well as emerging industry consensus. As a consequence further adjustments to the accounting policies and treatments may need to be made in the first set of completed IFRS financial statements for the year ending June 2006.

Material IFRS adjustments

Leasing assets

The group's aviation division, including Safair Lease Finance (SLF) and ACL Aviation (ACL), has long-term leases of up to 10 years' duration with strong counterparties. In terms of South African GAAP, and prior to the adoption of IFRS, the appropriate depreciation charge for aircraft on such leases was determined with reference to future values at the end of the lease term expressed in rand, which were based on estimated future US dollar residual values and estimated future exchange rates, which were determined at the time of entering into the lease. To the extent that such depreciation charges could subsequently prove to have been insufficient to depreciate the aircraft to their correct residual values at the end of the lease term, the carrying value of each aircraft was subjected to an impairment test, from time to time, to determine a value in use, whereby such carrying value was written down to the higher of net realisable value or the aggregate of the net present value of (i) future cash flows from the long-term leases and (ii) the rand based residual value at the end of the lease term, which was established in dollars and translated using a forward exchange rate derived from a market-related forward exchange curve.

With the adoption of IFRS an entity is now required annually to measure the residual value of an item of property, plant and equipment as the amount it estimates it would receive currently for the asset if it were already in an age and condition that it would be at the end of its useful life. For US dollar assets this means translating at every year-end the dollar residual value at the exchange rate prevailing. Furthermore, an entity is required to determine the depreciation charge separately for each significant component of property, plant and equipment.

To adopt the component approach we will have to establish over 1 000 components for the aviation leasing fleet at June 2004. To fully restate the aviation leasing fleet, for each component we would have to determine residual values by year going back in time to the date they were acquired. This would span a long period with large fluctuations in exchange rates leading to large variances. The reconstruction cost of the historic component residual values and the resultant depreciation is very onerous and costly and of limited benefit.

IFRS recognises that there can be practical difficulties in determining the historic financial effects of restating assets. As a result of this IFRS allows for fair values to be established at the date of first-time adoption and to use these fair values as deemed cost. Where aircraft values can be reliably established from recognised sources, the group has elected to use this approach for the aircraft. These values can be established for all our aircraft with exception of our Hercules fleet which comprises a small part of the value of our fleet. Here we have to use our best endeavours to establish the historic information to rework the fleet values, but any uncertainties would be of minor consequence.

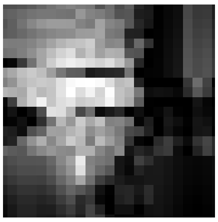
The fair value adjustments are established in dollar values from recognised sources and are translated into rand at the applicable rate at 25 June 2004, being R6.32 to the US dollar. Into the future this exercise will have to be done for each component and, depending on exchange rate movements will either increase or reduce the depreciation charge. Because of the long-term nature of the aircraft the residual values finally realised at the end of the useful life could be very different, mainly due to the uncertainties in the exchange rates.

In accordance with IFRS, using fair value as deemed cost arrived at by applying the exchange rate of R6.32 to the US dollar value of the aircraft at 25 June 2004 results in the estimated gross writedown in our aviation fleet as follows:

	Rm
Safair	730
SLF – our after- tax share as an associate	420
ACL – our after-tax share as an associate	30

The difference between IFRS and SA GAAP is that SA GAAP recognises the net present value of future cash flows from the long-term lease rentals and the residual value at the end of the lease term as converted from US dollars to rand at a forward exchange rate, and in terms of IFRS it is the current market value that is used.

We estimate that based on prevailing exchange rates, the annual depreciation charge to the end of the lease term in SLF



The development of our mobility asset company, Imperial Capital, is in its early stages and it is envisaged that it would be introduced to the capital markets in the new financial year.

would be higher in terms of IFRS than in terms of SA GAAP, but the need for future impairments would be far less, if any, and in Safair, the annual depreciation charge would be lower in terms of IFRS. The difference between SLF and Safair relate to the relative age of the aircraft. Safair's depreciation charge in the restated June 2005 financial year reduces by approximately R60 million, whilst it increases by R40 million in SLF (full amount before tax), and in ACL it is not significant.

Saficon Industrial Equipment's forklift fleet value will reduce by approximately R100 million to exclude certain overhead costs which were capitalised under current SA GAAP but must be expensed under IFRS. This will have the impact of reducing depreciation by approximately R40 million but increasing operating costs in the restated June 2005 financial year by a similar amount.

Transport fleet

Our transport fleet has to be restated for the annual revision of residual values. This resulted in an increase in the carrying value of the fleet of approximately R170 million at June 2004.

It is estimated that the depreciation charge will reduce by R10 million in the restated June 2005 financial year.

Share-based settlement transactions

Ukhamba BEE transaction

In March 2004 Imperial issued deferred ordinary shares to Ukhamba Holdings (Pty) Ltd for the ultimate benefit of staff, and as a result these deferred ordinary shares are seen as issued for services rendered and have to be accounted for in accordance with IFRS 2. As this transaction took place in March 2004 it will have no impact on the income statement for the June 2005 financial year. Shareholders' equity in the opening balance sheet at 26 June 2004 will have a debit to distributable reserves and a credit to a new line in equity representing the share issue of approximately R1 300 million. Therefore the net result to equity is nil.

Lereko Mobility BEE transaction

The transaction in terms of which Lereko Mobility (Pty) Ltd acquired equity ownership of approximately 7.25% of the issued ordinary share capital of Imperial resulted in an equity instrument being issued. This is an equity settled share-based payment transaction and has to be accounted for in accordance with IFRS 2, resulting in a once-off cost of approximately R100 million in the restated June 2005 financial year. This cost reduces distributable reserves through the income statement and will be credited to a separate line item in equity representing the share issue resulting ultimately in a nil adjustment to equity.

Imperial Bank

The IFRS impact on Imperial Bank, Imperial's associate company, is mainly due to the deferral of revenue which will now be taken over the period of the financing contracts, instead of up front under current principles of SA GAAP.

This results in Imperial's investments in associates being reduced by approximately R30 million with the corresponding debit to equity. In addition, Imperial's share of attributable profits in the restated June 2005 financial year reduces by approximately R10 million.

Summary of estimated material changes

The above changes, after adjusting for tax and the change in the tax rate, have the following impact on the June 2005 results:

	SA GAAP	IFRS	Variance	% change
Revenue (Rm)	42 546	42 546		
Operating profit (Rm)	3 523	3 493	(30)	(0.9)
Operating margin (%)	8.3	8.2	(0.1)	(1.2)
Profit before tax (Rm)	3 528	3 468	(60)	(1.7)
Attributable profit (Rm)	2 340	2 260	(80)	(3.4)
Headline earnings per share (cents)	1 046	1 006	(40)	(3.8)
Headline earnings per share (cents)*	1 046	1 056	10	1.0
Net assets (Rm)	9 454	8 534	(920)	(9.7)
Share capital and reserves (Rm)	8 991	8 071	(920)	(10.2)
Net gearing (%)	69	76	7	10.1

* *Excluding the impact of the Lereko transaction which has a once off effect of reducing earnings.*
The above restatements will have no cash flow effect.

Other IFRS adjustments

In addition to the significant adjustments above, there will be a number of smaller adjustments which in total should not have a material impact. An indication of these adjustments is:

Revenue

The group receives revenue on the sale of life assurance policies. Under SA GAAP the full amount was included in revenue. Under IFRS, where policies have both insurance and deposit components (investment policies), the deposit or investment component is not recognised as revenue. Revenue arising from services fees earned on the investment component will be recognised over the period of the contract. Although this impacts the revenue line there would be little impact on profits as there is a corresponding reduction in costs.

Attributable profits

Share options

All share options issued since 7 November 2002 and not exercised by June 2004 need to be expensed over the vesting period. The valuations show that the total IFRS reduction to retained income at June 2004 amounts to approximately R2 million with a corresponding increase in equity for the share-based settlement equity raised. This will also require an expense to the income statement of approximately R1 million for the restated June 2005 financial year.

Deferral of acquisition costs in Regent Life

IFRS 4 requires an adjustment to be calculated for the deferral of acquisition costs on existing business written. This will have a relatively small impact.

Other items of property, plant and equipment

There may be a small impact resulting from residual value changes on the other classes of property, plant and equipment.

Embedded foreign currency derivatives

There may be a small impact from the different treatment of embedded foreign currency derivatives.

Estimate of total impact

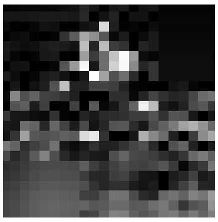
Should the impact of material and other changes vary by R50 million positive or negative it will have the following impact:

Positive R50 million	SA GAAP	IFRS	Variance	% change
Attributable profit (Rm)	2 340	2 310	(30)	(1.3)
Headline earnings per share (cents)	1 046	1 031	(15)	(1.4)
Headline earnings per share (cents)*	1 046	1 081	35	3.3
Net assets (Rm)	9 454	8 584	(870)	(9.2)
Negative R50 million	**SA GAAP**	**IFRS**	**Variance**	**% change**
Attributable profit (Rm)	2 340	2 210	(130)	(5.6)
Headline earnings per share (cents)	1 046	981	(65)	(6.2)
Headline earnings per share (cents)*	1 046	1 031	(15)	(1.4)
Net assets (Rm)	9 454	8 484	(970)	(10.3)

* *Excluding the impact of the Lereko transaction which has a once off effect of reducing earnings.*

Treasury management

Treasury activities are aligned to the group's decentralised business model and the group's asset and liability committee's (ALCO) strategies. The group ALCO is a board subcommittee



The group uses a centralised cash management process to minimise interest cost.

responsible for managing liquidity risk, interest rate risk, price risk and foreign exchange risk. The ALCO meets every quarter and follows a comprehensive risk management process. Group gearing as well as, capital allocation and efficiency are also reviewed.

Foreign exchange risk management is performed by the business units within the group's hedging policies and guidelines. The group's large foreign exchange requirements are hedged on a price competitive basis and pooled in order to secure maximum pricing benefits.

The group's activities and growth are funded by accessing various types of finance. At present the group's debt portfolio comprises corporate bonds (36%), commercial paper (29%), term loans (14%) and short-term debt (21%). Bank borrowing facilities of R5.5 billion are in place with R3.9 billion being committed with a notice period of 364 days.

Since year-end the group repurchased R434 million IPL1 bonds which were due to be repaid in March 2006 and added to the IPL2 bond by issuing a further R400 million. This will have the effect of extending the term profile of our funding.

Access to the domestic debt capital markets is facilitated by our local credit ratings of Aa3 (Moody's) and AA+ (CA Ratings). Our Moody's international scale credit rating of Baa1 also provides us with the opportunity to access foreign capital markets should the need arise.

The group follows a centralised cash management process including bank cash management systems across bank accounts in South Africa to minimise interest cost. Interest rate risk is managed by matching fixed and floating rate assets and liabilities wherever possible. Interest rate derivatives are used to achieve a repricing profile in line with ALCO directives.

The development of our mobility asset company, called Imperial Capital, is in its final stages and it is envisaged that it would be introduced to the capital markets during the new financial year. We have obtained an Aa2.za rating from Moody's to support this process. Thus far a total of R1.7 billion worth of assets has been transferred to this entity. Imperial Capital would be able to apply appropriate gearing and provide investors with a different choice of risk and investment opportunity in our group. It is envisaged that the company would grow over the next few years with more mobility assets being financed through this structure.

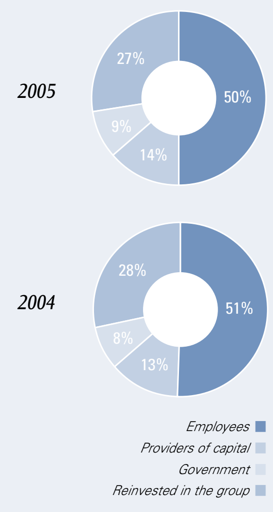
Ratios and measurements	2005 %	2004 %
Ebitda to revenue	**11.4**	11.7
Depreciation to revenue	**3.6**	4.3
Operating margins	**8.3**	8.3
Interest to revenue	**1.4**	1.4
Profit before exceptional items to revenue	**7.7**	7.0
Tax rate	**32.6**	31.2
Return on average equity	**22.0**	20.3
Gross debt to equity	**80.0**	72.6
Net debt to equity	**69.0**	58.7
Equity to total assets	**32.7**	39.0
Operating profit to operating assets	**13.3**	13.4
Interest cover by operating profit (times)	**6.2**	5.6
Distribution during the year (cents)	**395**	315
Headline earnings per share (cents)	**1 045.8**	835.9
Basic earnings per share (cents)	**1 168.1**	797.5

Value Added Statement

for the year ended 25 June 2005

	2005 Rm	2005 %	2004 Rm	2004 %
Revenue	42 546		34 747	
Paid to suppliers for materials and services	32 598		26 553	
Total wealth created	9 948		8 194	
Wealth distribution				
Salaries, wages and other benefits (note 1)	4 989	50.2	4 158	50.7
Providers of capital	1 351	13.6	1 045	12.7
– Net financing costs	586	5.9	478	5.8
– Dividends and capital distribution	765	7.7	567	6.9
Government (note 2)	889	8.9	679	8.3
Reinvested in the Group to maintain and develop operations	2 719	27.3	2 325	28.3
– Depreciation, amortisation and recoupments	1 322	13.3	1 256	15.3
– Future expansion	1 397	14.0	1 069	13.0
	9 948	100.0	8 207	100.0
Value added ratios				
– Number of employees	32 696		29 528	
– Revenue per employee (000)	1 301		1 177	
– Wealth created per employee (000)	304		277	
Notes				
1. Salaries, wages and other benefits				
– Salaries, wages, overtime, commissions, bonuses, allowances	4 195		3 453	
– Employer contributions	794		705	
	4 989		4 158	
2. Central and local government				
– SA current taxation	665		417	
– Secondary tax on companies	16		60	
– Foreign taxation	64		85	
– Regional services council levies	55		42	
– Rates and taxes	37		29	
– Skills development levy	16		18	
– Unemployment insurance fund	36		28	
	889		679	

Value added



Ten Year Review

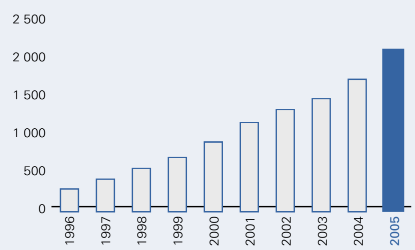
	10 year compound growth	2005 Rm	2004 Rm	2003 Rm	2002 Rm	2001 Rm
INCOME STATEMENT – HEADLINE EARNINGS						
Revenue/Turnover	32	42 546	34 747	32 277	28 122	21 874
Profit from operations before the following:		4 959	3 954	3 741	3 364	2 672
Depreciation, amortisation and recoupments		(1 322)	(1 256)	(1 216)	(1 078)	(824)
Net financing costs		(586)	(478)	(555)	(500)	(428)
Income from associates and joint ventures		216	228	167	65	42
Profit before taxation	32	3 267	2 448	2 137	1 851	1 462
Taxation		994	692	606	484	291
Profit after taxation	33	2 273	1 756	1 531	1 367	1 171
Profit on sale of property, plant and equipment, net of taxation		(5)	(9)	(9)	(4)	(5)
Taxation on exceptional items		22				
Goodwill, net of taxation		–	59	58	50	16
Minority interest, excluding share of exceptional items		(195)	(112)	(142)	(119)	(60)
Headline earnings attributable to shareholders	33	2 095	1 694	1 438	1 294	1 122
BALANCE SHEET						
Property, plant and equipment		2 760	2 311	2 180	2 109	1 544
Intangible assets		622	488	504	606	280
Investments and loans		3 201	2 660	1 989	1 903	1 944
Banking and other advances						
Deferred taxation		280	275	247	348	133
Leasing assets		5 818	4 785	4 713	4 532	3 388
Transport fleet		2 397	2 150	1 881	1 556	1 205
Vehicles for hire		790	734	735	580	538
Inventories		5 695	3 729	3 551	2 772	2 538
Trade and other receivables		6 164	4 769	4 480	4 142	3 249
Taxation in advance		128	98	61	90	49
Cash and cash equivalents		1 043	1 261	1 298	1 472	1 508
Total assets	30	28 898	23 260	21 639	20 110	16 376
Insurance funds		978	833	566	428	247
Deferred tax liabilities		885	630	531	489	232
Banking liabilities						
Interest-bearing borrowings		7 562	6 576	6 135	5 901	4 110
Other liabilities		10 019	6 161	5 715	5 201	4 629
Total liabilities		19 444	14 200	12 947	12 019	9 218
Net assets		9 454	9 060	8 692	8 091	7 158
FUNDED BY						
Ordinary shareholders' interest		8 991	8 618	8 199	7 658	6 975
Minority interest		463	442	493	433	183
Total shareholders' equity	25	9 454	9 060	8 692	8 091	7 158
SHARE PERFORMANCE (cents per share)						
Headline earnings per share*	25	1 045.8	835.9	700.2	608.8	527.6
Dividends per share#	24	395.0	315.0	265.0	230.0	190.0
Net asset value per share	21	4 836.5	4 306.8	4 040.9	3 712.1	3 235.2
Market prices						
– Closing	14	10 180	6 712	5 399	5 430	6 750
– High		10 850	7 150	5 750	7 000	6 850
– Low		6 650	5 250	4 300	4 375	4 950
Market capitalisation at closing prices (Rm)	22	20 909	14 676	11 703	11 739	14 553
Value of shares traded (Rm)		10 596	5 738	5 249	5 896	5 036
Value traded as a percentage of average capitalisation (%)		59.6	43.5	44.8	44.8	38.5
Number of employees		32 696	29 528	26 897	27 162	25 036
KEY RATIOS						
Operating margin		8.3%	8.3%	8.1%	8.1%	8.4%
Return on average ordinary shareholders' interest (headline)		22.0%	20.3%	18.1%	17.7%	17.5%
Total shareholders' equity to total assets		32.7%	39.0%	40.2%	40.2%	43.7%
Interest-bearing debt as a % of total shareholders' equity †		80.0%	72.6%	70.6%	72.9%	57.4%

** Calculated on weighted average number of shares*
 # Dividend includes capital distribution and notional dividends on which capitalisation share awards were calculated
† Excluding Imperial Bank's assets and liabilities

2000	1999	1998	1997	1996
Rm	Rm	Rm	Rm	Rm
14 944	9 913	8 739	7 239	6 427
1 914	1 577	1 146	732	546
(612)	(539)	(345)	(179)	(136)
(177)	(192)	(105)	(15)	(46)
21	5	30	11	6
1 146	851	726	549	370
238	187	197	167	122
908	664	529	382	248
(3)	(2)	(2)	(4)	
(39)	(1)	(10)	(3)	(2)
866	661	517	375	246
1 173	797	666	501	379
23				
849	594	1 087	858	601
3 087	2 100	1 421	591	115
87				
2 327	1 595	1 095	831	618
858	610	435	343	266
446	361	289	252	213
1 554	1 200	1 050	910	807
2 824	1 443	978	708	635
49				
1 099	1 330	531	325	355
14 376	10 030	7 552	5 319	3 989
209	240	268	224	179
166	79	53	39	21
1 605	1 503	735	53	1
3 068	1 889	978	324	11
3 403	1 941	1 627	1 304	1 098
8 451	5 652	3 661	1 944	1 310
5 925	4 378	3 891	3 375	2 679
5 854	4 361	3 888	3 346	2 677
71	17	3	29	2
5 925	4 378	3 891	3 375	2 679
435.4	352.2	283.8	216.7	169.6
167.6	125.0	108.0	88.0	68.0
2 796.9	2 285.6	2 104.7	1 871.4	1 574.8
5 530	5 900	6 100	6 100	4 380
7 800	6 190	7 000	6 100	4 700
4 500	3 105	5 000	4 025	2 850
11 576	11 256	11 270	10 908	7 446
5 376	3 621	2 492	1 239	470
47.1	32.2	22.5	13.5	9.0
23 935	18 696	17 204	13 532	12 970
8.7%	10.5%	9.2%	7.6%	6.4%
17.0%	16.0%	14.3%	12.5%	13.5%
41.2%	43.7%	51.5%	63.5%	67.2%
51.8%	43.1%	25.1%	9.6%	0.4%

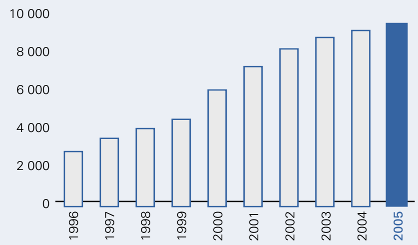
Headline earnings

(R million)



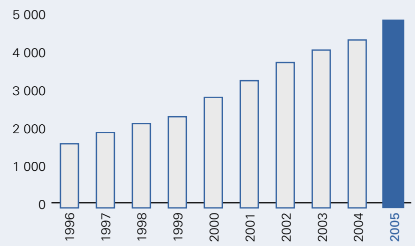
Total shareholder's equity

(R million)



Net asset value per share

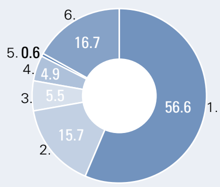
(cents)



Analysis of Shareholding

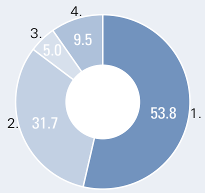
Shareholder type

(%)



Distribution of shareholders

(%)



SHAREHOLDERS

Shareholder type	Number of Shares (000)	% of voting shares
Financial institutions, pension and provident funds	126 427	56.6
Unit trusts	34 949	15.7
Individuals	12 383	5.5
Directors and employees	10 837	4.9
Investment trusts	1 317	0.6
Listed ordinary shares net of treasury stock	185 913	83.3
Deferred ordinary shares – direct empowerment shareholding	22 755	10.2
Preferred ordinary shares – direct empowerment shareholding*	14 517	6.5
Total shares in issue net of treasury stock	223 185	100.0
Treasury stock	19 481	
Total shares in issue	242 666	

**Issued on 27 June 2005*

Distribution of shareholders	Number of shareholders	Number of ordinary shares (000)	% of listed shares
Public shareholders		110 554	53.83
Non-public shareholders			
Shareholder holding more than 10%	2	65 149	31.72
Directors, their associates and employees		10 210	4.97
Treasury stock	1	19 481	9.48
Total listed ordinary shares	7 264	205 394	100.00

Shareholdings	Number of shareholders	%	Number of shares (000)	% of listed shares
1 – 2 500	5 921	81.51	368	0.18
2 501 – 5 000	376	5.18	270	0.13
5 001 – 10 000	220	3.03	474	0.23
Over 10 000	747	10.28	204 282	99.46
	7 264	100.00	205 394	100

Shareholdings of more than 5%	Number of shares (000)	% of issued capital
Ordinary shares		
Public Investment Corporation	41 633	18.7
Old Mutual Life Assurance Company (SA) Limited	23 516	10.5
Sanlam Limited	18 170	8.1
Deferred ordinary shares		
Ukhamba Holdings (Proprietary) Limited	22 755	10.2
Preferred ordinary shares		
Lereko Mobility (Proprietary) Limited	14 517	6.5

Directors' interests of more than 1%	Number of shares (000)	% of issued capital
W G Lynch	9 265	4.15

STOCK EXCHANGE PERFORMANCE	2005	2004
Number of ordinary shares in issue (millions)	205	219
Number of ordinary shares traded (millions)	114	88
Value of ordinary shares traded (rand million)	10 596	5 738
Market price (cents per share)		
– Closing price 25 June	10 180	6 712
– High	10 850	7 150
– Low	6 650	5 250
Earnings yield %*	10.3	12.5
Price: earnings ratio*	9.7	8.0

*Based on headline earnings per share

Imperial Holdings

www.imperial.co.za

GRI Content Index

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We do not view the components of triple bottom line reporting as opposing forces in our business but rather as inextricable components that together create a greater whole.

Chief Executive Officer's Review

Imperial prides itself in having created a business model that delivered and will continue to deliver sustainable growth over time. Our objective is to maintain this momentum in all facets of the business, recognising that a business cannot thrive because of economic performance alone. We recognise that exceptional economic performance goes hand in hand with exceptional performance in the environmental and social efforts of a business. For this reason, we do not view the components of triple bottom line reporting as opposing forces in our business but rather as inextricable components that together create a greater whole.

We have refined our systems to measure the group's non-financial impacts which are often measured inconsistently, given Imperial's decentralised management structure. 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 its customers and the business environment in which the division operates but subject to the guidance of the group executive committee and ultimately the board.

Achievements of the group on the sustainability front during the past year include:

- The first tranche of deferred ordinary shares owned by Ukhamba was converted to ordinary shares creating real wealth for 15 000 of Imperial's historically disadvantaged employees;
- The Lereko Mobility broad-based empowerment transaction;
- The inclusion of the group on the JSE's Socially Responsible Investment (SRI) index;
- Further efforts to comply with the draft BEE scorecard issued by the DTI as well as industry specific scorecards;
- Increased focus on empowerment, and the training and development of previously disadvantaged employees; and
- Increased corporate responsibility spending.

We have also enhanced our interaction with stakeholders, recognising that, the survival of every business depends on its stakeholders, just as they depend on the business. The sustainable development policy of the group recognises that Imperial consists of a large number of diverse transport and mobility businesses, each with its own challenges, stakeholders and operating environment. Each of the businesses therefore has its own initiatives within the sustainability arena, designed to address areas of importance in that business. 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.

We are particularly proud of the broad-based black economic empowerment transactions through which the group created new businesses:

- Ukhamba grew rapidly during the year and made a number of acquisitions, developing into a fully fledged business owned and run by historically disadvantaged employees of the group. It also took ownership of the first tranche of 1 740 001 Imperial ordinary shares, which represents approximately R200 million in real unencumbered wealth; and
- A transaction was concluded with Lereko Mobility (Proprietary) Limited through which Lereko Mobility acquired 7.25% of the ordinary shares in Imperial Holdings. The transaction was approved by shareholders in June 2005.

Additional emphasis was placed on safety in the past year and the group continues to work towards eliminating injuries and fatalities arising from its operations.

This is the second year that we report using GRI guidelines and this report will therefore over time be enhanced as we strive to increase our level of reporting to eventually report in full accordance with GRI guidelines. We are, however, of the opinion that it represents a balanced and reasonable view of our organisation's economic, environmental and social performance.

Bill Lynch
Chief executive officer

23 August 2005

Contact details and further information

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

Profile

The operational structure and profile of the group is outlined on the inside front cover of the annual report.

Scale

Information regarding the financial scale of the Imperial group is contained in the 10-year review on page 58, the value added statement on page 57, note 4 on page 108, and the employment section on page 141.

Report scope

This report was compiled for the financial year ended 25 June 2005.

Imperial's businesses in Africa and Europe are also included in this report. Impacts related to entities not controlled by the group have been excluded from this report on the understanding that they will be reported separately by the controlling entities. Leased facilities are treated for reporting purposes as if the group owned them. Tourvest has been included though it is a separately listed entity.

Assurance policies and internal practices

The directors recognise that they are responsible for the content of this report. Although all reasonable steps have been taken to ensure the accuracy of this sustainability report, the directors can only provide reasonable assurance that the reporting systems are accurate. The group has made significant progress towards improving its internal 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.

Reporting and measurement systems

The group has seven operating divisions. The divisions 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 policies appropriate to their industries.

We have made significant progress in creating a system to report accurately on the environmental and social impacts of the group. Due to the decentralised management structure and the diverse nature of the operating businesses in the group, information is recorded and reported on in different formats, which makes the compilation of information required to be presented in a report of this nature quite challenging.

The group has, however, used its best endeavours to ensure that this Sustainability Report meets material reporting needs of stakeholders.

Governance structure and management systems

Corporate governance encompasses the group's systems, structures, and culture of governance to ensure that the group acts responsibly to all its stakeholders-economically, environmentally and socially.

The board has established a number of subcommittees and divisional boards, which operate within defined terms of reference. The composition of the board and of the various committees, as well as further information regarding the governance and management structures of the group, is to be found in the corporate governance report on pages 80 to 85 of this report.

Stakeholder engagement

Relations with stakeholders

The group furnishes information to the public and its shareholders based on the guidelines of promptness, relevance, openness and substance over form. The group endeavours to balance reporting by providing both the positive and negative aspects of its performance. Presentations to and meetings with investors and analysts to communicate the strategy and performance of the group are held on a regular basis.

Shareholders have the opportunity to put questions to the board at annual general meetings.

Our primary responsibility is to our investors. We seek to maximise shareholder value over time. We believe that this is best achieved through an intelligent regard for the interests of other stakeholders, including our employees, the communities associated with our operations, our customers and our business partners. A reputation for integrity and responsible behaviour underpins our commercial performance, gained by motivating employees and building trust and goodwill. The primary avenue for stakeholder engagement is the various operating businesses in the group. Examples of the engagement activities are found throughout this report.

Our stakeholders

Imperial recognises a number of stakeholders in the group. These include investors, potential investors, employees, trade unions, customers, contractors, suppliers and government departments. A list of the primary investors in the group is contained on page 61 of the annual report. The customers of the group comprise virtually every facet of society and include central, provincial and local government, large, medium and small business, various industries and individuals across the world.

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

Economic impacts

Imperial is listed on the JSE and is part of the ALSI 40 index. Imperial has an unbroken growth record and has grown its revenue and profit every year since it was listed in 1987. Impacts include economic impacts in relation to employees, government, suppliers, customers and providers of capital.

During the year, the group received no material grants, tax relief or other types of financial benefits that did not represent a transaction of goods and services, other than the reimbursement of Skills Development Levies and similar reimbursements.

The group continues to seek ways to maintain its economic viability and to maximise returns from its operations.

The economic impacts of the group are detailed in various places in this annual report and have been cross-referenced in the GRI index on page 63 for easy access.

Environmental impacts

The operations of the group affect the environment in a variety of ways, both directly through its transport operations and indirectly through the products it distributes and sells. The group does not operate any significant manufacturing concerns and does, for this reason, not affect the environment directly through the operation of extensive plants or facilities. It does, however, operate a significant transport fleet that affects the environment directly through exhaust emissions.

Environmental policy and management systems

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

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

Environmental incidents

During the year under review, the following material spills of chemicals, oils or fuels occurred:

Business	Material spilled	Quantity in '000 litres
Fuelogic	Fuel	38
Arrow Bulk Carriers	Fuel	44
Javelin Trucking	Soft acid oil	26
Tanker Services	Tar	36
Javelin Trucking	Bitumen	30

In all cases the 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, the services of external service providers were utilised. Steps are also taken to prevent a recurrence of such incidents where possible.

In total, 106 incidents having an environmental impact occurred during the year, all of which emanated from the Logistics division.

The Logistics division transports cargo on behalf of its customers and, although all reasonable steps are taken to ensure that cargo, hazardous or otherwise, is not spilt, accidents are an inherent feature of every business and of road travel in particular. Effective systems are in place to limit and, if possible, eliminate harmful effects resulting from spillages.

Imperial is not aware of any pending environmental litigation and no fines or penalties were imposed during the 2005 financial year for non-compliance with environmental regulations and permits. Any infringement of regulations, permit, or licence conditions is reported to the relevant regulators and corrective action taken as soon as practicable in all circumstances.

Environmental performance

Materials

The group does not make significant use of wastes (processed or unprocessed) from sources external to it.

Energy

The group consumes energy in various forms, both directly and indirectly. The largest single source of energy is fuel consumed for road, water and air transport. Every effort is made to reduce consumption of fuel through the introduction of new technology, regular maintenance and upgrading of 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 thus reducing CO_2 emissions related to its transport operations and from the purchase of electricity. Imperial makes no use of renewable energy at present.

Water

The group consumes water from external sources for ancillary operations including offices, washing of vehicles and 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. In this respect, it applies best practice to ensure that its impact on water resources is limited.

Biodiversity

With the exception of Logistics operations on inland waterways in Europe that cross biodiversity-rich habitats, none of the primary operations or facilities of the group that are likely to have an adverse impact on biodiversity are situated in biodiversity-rich 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 mindful of the potential impact of spillages of products carried by it for reward and in this respect 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.

Emissions to air

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 the individual and total emissions generated by all group operations is difficult due to the diverse nature of the transport fleets owned and managed by the group. The group does, however, renew its transport fleets on a regular basis where this is viable, thereby achieving lower emissions associated with newer technology. Its aircraft fleet also complies with emissions regulations applicable at major airports in the world, both regarding emissions to air as well as noise levels.

Greenhouse gases

The group contributes CO_2 emissions through electricity purchased as well as exhaust emissions by its transport fleet.

Effluents and waste

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

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

Used oil is disposed of 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 wash bay runoff caused by washing of operational transport fleets. Hazardous effluent may result from substances carried on behalf of customers, particularly in the Tanker Services business of the Logistics division. Appropriate steps are taken to ensure that effluent so generated is disposed of responsibly.

The group does not generate industrial waste other than that already mentioned. Quantities of waste generated through normal office operations are not measured.

Some of the other waste management initiatives in the group include:

- Print cartridges are recycled, in some instances being collected by individuals who make a living from this form of recycling.
- Used fluorescent tubes, batteries and other waste generated by group operations are recycled and, where this is not possible to recycle, are disposed of in a responsible manner.

It is the view of the group that recycling should be an integral part of the lifecycle of all materials.

Products and services

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

The group is always conscious of energy use and will explore every possibility of saving energy.

Services rendered by the group contribute to pollution in various ways detailed above. In addition, operations such as the Aviation division contribute to high-level atmospheric pollution 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 fleet.

Environmental data

MATERIALS	2005 000's litres
Fuels	349 735
Lubricating and hydraulic oil	4 817
ENERGY	000's
Energy from electricity purchased (kW)	113 917
Energy from processes and fossil fuels consumed (gigajoules)	12 590
WASTE	000's tons
Tyres	3.5
Oil	4.8
EFFLUENTS	000's m^3
Wash bay runoff	14
WATER USAGE	m^3 000's
	879 187

Social impacts

Employment

The group is a large employer in South Africa and directly employs 32 700 people in its operations worldwide. We are particularly proud of the number of work opportunities created by Imperial over the years with its workforce growing from 1 720 in 1987 to the number it is today. In the last year, Imperial added over 3 000 new jobs.

The geographical breakdown of Imperial's workforce is set out below.

Breakdown of workforce	2005	2004
Geographical		
South Africa	27 640	25 386
Rest of world	5 056	4 142
Total	32 696	29 528

Labour/management relations

The group recognises its employees as important stakeholders in its businesses. Good relations between employer and employee are vital for continued viability of the business. Imperial therefore promotes and maintains sound and harmonious labour relations through contact and consultation with employees and by:

- recognising 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; and
- protecting the rights of employees as individuals, and the implementation of those structures necessary for the maintenance of discipline in the workplace and the fair resolution of grievances.

The group subscribes to the following principles:

- The right of employees to associate with employee organisations of their choice and recognition of such employee organisations as representing the interests of a particular group of the company's employees where it represents the majority of the employees in such a group. Recognition will be regulated by detailed recognition agreements entered into with the particular union.
- Maintenance of healthy relationships with trade unions, and particularly with trade unions which are recognised as representative of a particular segment of the group's workforce.
- In accordance with the groups' philosophy of decentralised management, it is the group's policy that the responsibility for sound labour relations rests at company/profit centre level.
- Substantive negotiations, other than Bargaining Council negotiations, are decentralised as far as practically possible.

Procedures exist in group companies for negotiation and consultation in the event of changes to conditions of employment, and the structure of the organisation where a need arises for such changes and where such changes have an impact on employees.

All major unions in the country are represented in the various divisions.

During the year, the national strike by the National Transport Workers Union had a significant effect on the operations of the Local Logistics business. It is estimated that the group lost approximately R25 million as a result of the strike. Disputes that gave rise to the strike have since been resolved.

Employment equity

Employment equity and practices

The group is committed to providing equal opportunities for its employees regardless of their ethnic origin or gender. Structures have been set up with trade unions and other employee representatives to achieve good employer/employee relations through consultation and the identification and resolution of conflict.

The directors believe that black economic empowerment, structured in an economically viable and self-sustaining manner, is an essential and integral element of corporate governance within any business unit of the group operating in South Africa. All business units in South Africa have formalised their employment equity policies and submitted plans to the Department of Labour.

Imperial Holdings subscribes to the belief that employee participation is in the best interest of a business. The group's diverse nature, allied to its philosophy of decentralisation, makes it desirable that each business unit executes this in a manner best suited to its own circumstances.

The group's Employment Equity programme can be summarised as follows:

- Focusing recruitment programmes on employing talented candidates from historically disadvantaged groups into the organisations at all levels;

Imperial is committed to addressing imbalances created as a result of the apartheid system and places great emphasis on the role of employment equity in this regard.

- The implementation of human resources development programmes which are aimed at enhancing the skills of employees from historically disadvantaged groups; and
- accelerating the advancement of historically disadvantaged employees to all levels in the organisation.

Reporting

Ultimately, employment equity is not just a legal requirement for Imperial, but also an integral part of its business strategy. In compliance with section 22 of the Employment Equity Act, Annexure C to the annual financial statements summarises the progress reports as submitted to the Department of Labour.

Human resource development

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

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

The group invested in excess of R47 million in training during the past financial year.

	Hours	
Annual training	2005	2004
Senior management	12 330	13 998
Middle management	49 671	32 869
Professional, production and technical staff	530 381	565 253
Administrative staff	90 916	56 139
Maintenance	41 860	26 703
Total	725 158	694 962

Historically disadvantaged South Africans (HDSA) career paths and skills development plans

The group makes the best use of human resources, having due regard to the need for building on existing strengths and developing employee potential, in accordance with the group's need for skilled human resources, and is committed to the implementation of the following principles:

- The elimination of discrimination in the workplace.
- The advancement of HDSAs through groupwide employment equity programmes and skills development programmes;
- 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 discrimination based on race, colour, gender, pregnancy, marital status, family responsibility, sexual orientation, age, disability, religion, belief, HIV/AIDS, political affiliation, language or birth.

The group's programmes in this regard are aimed at:

- selecting, employing, advancing and promoting all employees on the same basis of merit and experience;
- rewarding equally for work of equal value, taking into account merit and experience; and
- providing training programmes and/or 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, in accordance with the group's needs for skilled human resources.

Imperial recognises the imbalances which have been created as a result of the apartheid system. Imperial is committed to addressing these imbalances and places great emphasis on the role that employment equity plays in this regard. employment equity programmes have been implemented within the group's operations in line with its decentralised management structures.

Black Economic Empowerment

Black Economic Empowerment is viewed as a strategic imperative in the group and for this reason is managed and coordinated at executive board level. It is our belief that future business success and the sustainability of any business to a large degree depends on the implementation of a successful black economic empowerment 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 critically important that the process of economic transformation be accelerated in order to bring the majority of black South Africans into the mainstream economy, not only by providing employment but also to give them meaningful economic participation and to share increasingly in the wealth creation resulting from economic activities.

Imperial's black economic empowerment policy

Imperial sees black economic empowerment as a multifaceted and integrated process which, in line with a recently published draft Government policy, includes aspects such as equity ownership, human resources development, employment equity, enterprise development, preferential procurement as well as investment in social upliftment projects and the development of SMME's.

Imperial's black economic empowerment policy is based on the following principles:

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

The transformation efforts of Imperial were however not concentrated solely on equity but also extended to all other areas of the business from enhancing representation at board level where previously disadvantaged groups now represent 42% of the board, to areas such as BEE procurement and skills development, which was given priority during the year. The group is committed to transformation and empowerment and will continue to pursue and enhance all facets of empowerment in its businesses.

Equity ownership

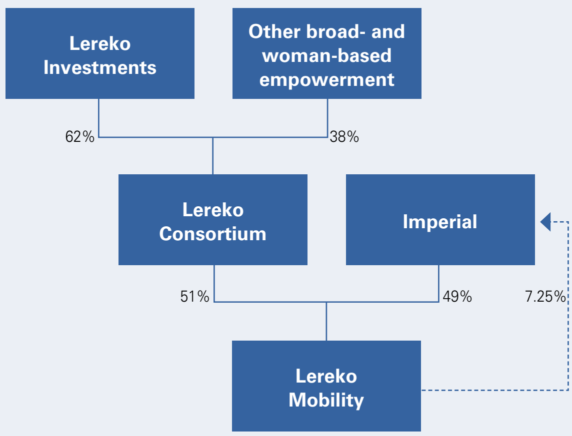
The South African government has set certain targets for equity ownership by black people through industry charters as well as the draft BEE scorecard issued by the DTI. Imperial recognises that a substantial increase in the number of black people who have ownership and control of enterprises is a critical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

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 10.2% in Imperial. The first tranche of 1 740 001 deferred ordinary shares converted to ordinary shares this year. The value of these shares exceed R200 million, representing real, unencumbered wealth transfer to Ukhamba.

The transaction was the culmination of a long-term strategy and investment by Imperial to effect true broad based empowerment for its own historically disadvantaged employees, which began in 1998 when the group established Ukhamba as a new black enterprise.

Ukhamba has 10.2% of the voting rights of Imperial and has appointed two representatives to the Imperial board of directors.

It has always been the view of the group that further empowerment would be necessary in the transformation process in the country. In June 2005, Imperial concluded a transaction with Lereko Mobility (Pty) Ltd by way of the issue of preferred ordinary shares, thereby making significant progress towards attaining its long-term empowerment goals. The transaction with Lereko Mobility was successfully implemented with the overwhelming support of shareholders. Lereko Mobility acquired 7.25% of Imperial's ordinary shares in a transaction valued at R1.4 billion. The transaction structure is set out in the diagram below.



Imperial has made a huge contribution to enterprise development by creating Ukhamba Holdings and giving it the necessary capital and management skills to grow to an enterprise valued at over R1.5 billion.

The Lereko Consortium was identified as the appropriate BEE partner with experience in key industries in which Imperial operates, i.e. tourism, mobility and logistics, and the ability to add value at a strategic level.

Imperial believes that the Lereko Mobility transaction will materially assist in enhancing Imperial's growth prospects for the benefit of its current and future shareholders. Lereko Mobility will play a meaningful role in positioning Imperial as an entity with the profile to deliver quality services to key segments of the South African economy, including both the private and public sector.

Besides the direct black ownership of 16.7%, independent studies indicate that Imperial's indirect effective black economic empowerment ("BEE") shareholding, held through a number of institutional shareholders who manage and administer funds on behalf of HDSAs, is currently in excess of 25%. Imperial's aggregate direct and indirect BEE shareholding exceeds 40%, qualifying it as a black empowerment company, and meeting the requirements of the financial sector charter that many of our companies are signatories to. Charters for other sectors are still being negotiated.

Enterprise development

Ukhamba Holdings

Ukhamba, the group's first empowerment initiative representing more than 15 000 historically disadvantaged employees, grew rapidly during the year. The first tranche of 1 740 001 deferred ordinary shares converted to ordinary shares, representing tangible wealth enhancement for Ukhamba and its shareholders. The converted ordinary shares are listed on the JSE and have a value in excess of R200 million. This is a unique achievement creating wealth for more than 15 000 historically disadvantaged individuals in the first full year of the transaction. In addition, the first dividends will be paid to Ukhamba shareholders in October 2005.

Ukhamba Holdings was formed by Imperial on 6 November 1998 as a venture between Imperial and the Ukhamba Trust. The Ukhamba Trust provides HDSA employees of Imperial with an opportunity to purchase an interest in Ukhamba Holdings through the purchase of Ukhamba Trust units. Imperial provided the seed capital of R15 million for the creation of Ukhamba Holdings, which operates as an investment holding company, with investments in a wide range of businesses.

Ukhamba was formed to create a culture of savings, to generate wealth and to facilitate the transfer of skills for Imperial's HDSA employees. In the five years since its establishment, Ukhamba has generated solid profits from its various businesses and investments and currently has a turnover of R56 million and operating profit of R6 million. It is valued at over R1.5 billion. To date, approximately 2 466 historically disadvantanged employees of Imperial have invested R13.9 million in Ukhamba through the Ukhamba Trust. The initial value of the Ukhamba Trust units has increased from R50 to R194 per unit, representing a growth of 288% over this period.

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

During the year, Ukhamba rapidly grew its investment portfolio and, in addition to its shareholding in Imperial, acquired a number of other investments. In keeping with its commitment towards enterprise development to facilitate an empowerment transaction, Imperial sold its 35% stake in Distribution and Warehousing Network Limited, a JSE-listed company, to Ukhamba. The shares were sold for R110 million and are valued at over R300 million. Ukhamba's investments now include:

	% shareholding
Amasondo Fleet Services	50
Citroen Motor Distributorship	10
Distribution and Warehousing Network Limited, a JSE-listed company	35
Durand & Bowden Printing Company	30
Executive Carports	49
Fuelogic	31
Guiricich Construction, a construction company	20
Ikaheng Human Resource Services	100
Imperial Holdings Limited	10.2
Proteam Panelbeaters	49
RTG Fleet Services	5
TATA Motor Distributorship	20

The Imperial and Ukhamba Community Development Trust (Development Trust)

The Development Trust was established to assist historically disadvantaged communities in the teaching of mathematics, science and English. During the year, the trust adopted two schools in informal settlements in Gauteng, the Inkululeko Yesizwe Primary School and the Igugulethu Primary School. The two schools service a total of 1 545 learners. To date an amount of R548 693 was spent on facilities and learning aids which included stationery and textbooks. The objective of the project is to upgrade the schools in order to benefit the community of Vlakfontein, where the schools are situated, as a whole. In addition to equipment, a retired teacher was also appointed to assist with the development of learning aids and the development of a curriculum in cooperation with the Department of Education. A capital project worth R3 million is planned for the schools over the next 12 months.

The Development Trust further benefited from a second empowerment transaction with Lereko Mobility and owns an indirect 2.6% of the share capital of Lereko Mobility (Pty) Ltd.

Other initiatives

Although Imperial's empowerment activities are mainly aimed at its own employees, it does also enter into partnerships with selected empowerment groups where such opportunities arise in areas which would complement its core business activities.

Examples of such initiatives are as follows:

Fuelogic

Fuelogic is a bulk fuel transportation company formed in March 2001 in which the group owns 49% and the balance of the shares are held by black-owned companies.

Mpumelo Forest Services

Mpumelo Forest Services is a transport company operating in the forestry industry. 38% of the equity in this company is held by a black economic Empowerment company called Mpumelo Motor Holdings (Pty) Ltd. The balance of the equity is currently held by MRB Ondernemings (Forest Services), a subsidiary of Imperial Logistics. The shareholders' agreement provides for the further transfer of 3% of the equity annually until the equity ownership is split 50/50.

Millennium Carriers

Millennium Carriers provides transportation services to the cement industry. The shareholding is owned 51%/49% between North East Carriers (a subsidiary of Imperial) and a black entrepreneur respectively.

Owner-driver Programme

In a capital-intensive industry such as the road freight industry, owner-driver schemes provide a powerful vehicle for empowerment at grassroots level. Imperial Logistics has, through its subsidiaries Cargo Africa, Madiba Transport and Truckafrica, established 127 successful owner-driver schemes.

NAC Cape Town

This company is a joint venture in the aviation sector between NAC, an Imperial subsidiary, and Makana, an empowerment venture.

Human resources development

The Imperial group is constantly training and developing employees in accordance with their specific needs. It would not be possible to report on all these activities but against the background of the policy priorities referred to above, the following programmes deserve specific mention:

Adult basic education and training

Imperial has established a major Adult Basic Education and Training Programme aimed at providing illiterate and semi-literate employees from historically disadvantaged groups and their family members with the required literacy and numeracy skills in order for them to participate in further skills develop-ment programmes. Approximately 180 employees and/or members of their families participate in this programme annually.

Learnerships

The logistics division has, to date, entered into more than 400 learnership agreements with learner drivers. These learners are currently being trained towards the National Certificate as Professional Drivers. Imperial has budgeted to have 90 learners per annum trained in the Gauteng area and a further 45 in each of the KwaZulu-Natal and Western Cape areas.

Various other learnership programmes have been implemented in other divisions of the group, such as the National Certificate in Motor Sales and Support Service which has been implemented in our motor division.

Study assistance

Imperial provides study assistance to selected employees from historically disadvantaged groups for participation in job-related and management training and education programmes such as the RAU Certificate and Diploma in Road Transport and other business courses.

Management trainee programme

Imperial Logistics has implemented a management trainee programme, and candidates from previously disadvantaged groups are enrolled into this programme annually.

This programme provides trainees with experience in all the departments of the business whilst exposing them to structured training programmes in the areas of transport economics, human resources and industrial relations, sales and marketing, IT and management.

Imperial has sponsored the establishment of three roadside clinics.

Apprenticeships

Apprenticeship programmes have been implemented in various companies in the Motor Dealerships division. Candidates enrolled in these programmes are mainly from historically disadvantaged groups. Approximately 50 new candidates are enrolled annually. An apprenticeship programme for diesel mechanics was implemented in the Logistics division of Imperial.

Training in aviation maintenance

In the Aviation Leasing division, previously disadvantaged employees employed 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 R1.0 million in cash to facilitate the teaching of mathematics, science and English in schools in historically disadvantaged communities.

SMME development and job creation

Through the establishment of Ukhamba Holdings and its subsidiaries, a significant number of new jobs have been created. Ukhamba Holdings and its subsidiaries employ over 1 800 employees on a full-time basis.

The growth record of the Imperial group is well known and although the group has grown considerably through acquisition, a significant number of new positions were created by organic growth in its divisions.

BEE procurement

Imperial has an active programme of increasing procurement from black owned suppliers. The group is in the process of accrediting empowerment suppliers and service providers. Some divisions in the group are in an advanced stage of this process and in some cases, such as the Leasing division, procurement from BEE enterprises exceeded 25% of total procurement expenditure. In other divisions the percentage is significantly lower.

Companies in the Imperial group also utilise Ukhamba Holdings and its subsidiaries as empowerment providers where these companies provide services for which Imperial group companies have a need.

Health and safety

Procedures for recording and notifying occupational diseases and accidents

In order to assess risks and take corrective steps necessary, Imperial's operations, in cooperation with workers and unions, report and investigate:

- accidents and other incidents;
- suspected and confirmed cases of occupational disease; and
- any other situation which may constitute an unacceptable risk.

The group is committed to providing safe and healthy working conditions for all employees.

Although several of our groups' divisions operate in a white collar environment where health and safety risks are limited, it is treated as a priority in our operations which are of a more industrial nature such as our logistics, aviation and motor dealerships workshops.

In these operations, appropriate safety programmes are implemented and we strive to adhere to the highest standards.

Where appropriate, extensive health and safety training is provided of which training in the handling of hazardous products and advanced driver training are examples.

Procedures have been implemented in our various divisions for the reporting and analysing of health and safety incidents. Such information is dealt with at executive and risk committee level in our various divisions in an attempt to continually improve in this area.

In high risk operations, such as the transportation of hazardous products, health and safely is managed by professionally staffed Loss Control departments, and specific procedures have been installed to protect employees and the public from exposure to hazardous substances.

In our transport operations, the working environment is a high priority for long- distance drivers. Two truck stops for drivers have been established on the

Durban/Johannesburg route. Imperial further supports, financially and otherwise, roadside wellness clinics, which have been established by stakeholders in the road freight industry on main transport routes throughout South Africa. Imperial has sponsored the establishment of three of these roadside clinics. Imperial 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 seriousness of HIV/AIDS as a medical, social and economic reality and fully recognises the tragic implications associated with this pandemic, as well as the potential enormity of its socioeconomic implications. The group accepts its responsibility to all stakeholders to comprehensively manage the HIV/AIDS threat to:

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

Policy

All companies in South Africa are faced with an HIV/AIDS epidemic of serious magnitude and severity.

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

The aim of Imperial's policy is to:

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

Programmes in the transport industry

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

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

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

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 the continued improvement of the working environment of employees.

By far the majority of accidents, injuries and fatalities resulted from road accidents which are an inherent risk of many of the group's operations. The frequency of these events is to an extent a function of seasonal pressures on our roads. In addition, the increase in the number of vehicles in the Imperial transport fleet gives rise to a corresponding increase in accidents.

Every effort is being made to reduce accidents and fatalities.

The key safety statistics for the group are contained in the schedule below. Incidents of a minor nature have not been included in the table. The statistics need to be seen in the context of the total distance travelled by vehicles operated by the group.

SAFETY	2005 Accidents	2005 Fatalities resulting from accidents	2004 Accidents	2004 Fatalities resulting from accidents
Division/Business unit				
Logistics and transport	1 744	21	1 127	15
Leasing and fleet management	0	0	0	0
Aviation	18	0	8	0
Car rental and tourism	0	0	2	0
Dealerships	2	0	1	0
Insurance	2	0	6	0
Distributorships	2	0	12	4
Total/Aggregate	1 768	21	1 156	19

Human rights

The group subscribes to the principles embodied in the Universal Declaration of Human Rights, as embodied in the Constitution of the Republic of South Africa. The group further underwrites the four key groupings fundamental to the rights of human beings at work, identified by the International Labour Organisation, being:

- freedom of association;
- the abolition of forced labour;
- equality; and
- 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;

Therefore the group is committed to:

- adhere to sound corporate governance principles and ethical and fair business practices;
- respect the fundamental human dignity of its employees;
- ensure equality of all its employees and ensure safe and healthy working conditions;
- ensure the right of freedom of association and freedom of expression of its employees and to prevent any form of discrimination;
- prohibit the use of all forms of slave labour, child labour and forced labour;
- respect the civil, cultural, economic, political and social rights of its employees and to observe fair labour practices; and
- adhere 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 who act in contravention of international human rights standards, and, in particular, who make use of forced labour or prohibited child labour.

Corporate social investment

Each of Imperial's operating divisions and the businesses in those divisions have their own programmes and initiatives which range from providing internships for learners studying travel and tourism, to sponsoring vehicles for worthy causes and to AIDS initiatives. The programmes are managed at the business unit level and are appropriate to the circumstances of each business and the community in which it operates. The amount expended on these programmes during the year is made up as follows:

Donations	2005 R	2004 R
Community groups:		
Cash	6 201 589	5 134 195
In-kind	2 329 754	291 338
Total	8 531 343	5 425 533

Contributions to various charities and organisations included:

- *AIDS awareness clinics*

  R429 000 in respect of roadside clinics to increase awareness of HIV/AIDS and the treatment thereof.

- *Pedestrian safety*

  R150 000 donated to the Arrive Alive pedestrian safety project.

- *Mother Theresa Home*

  R30 000 was donated to the Mother Theresa Home for HIV patients in Johannesburg central.

- *Thabang Social Upliftment Trust*

  Imperial has, for the purpose of the social upliftment of employees of previously disadvantaged groups and their families, established the Thabang Social Upliftment Trust. An amount of R5 million was donated to the trust in prior years as initial capital for the funding of its social upliftment projects. The Thabang Trust is currently partly funding the extensive Adult Basic Education and Training programme referred to above.

- *Imperial and Ukhamba Community Development Trust*

  The group created the Development Trust referred to above.

- *HIV/AIDS project*

  In addition to a major HIV/AIDS education programme in the companies of Imperial Logistics division, Imperial plays a leading role in an extensive HIV/AIDS project in the Road transport sector. This is a joint project in which the national bargaining council for the road freight industry in which the road freight association and the Department of Transport are major players. Imperial Logistics has made a substantial donation to this project for the purpose of establishing roadside clinics for drivers on the main transport routes. These clinics provide treatment and counselling with regard to sexually transmitted diseases.

  Imperial Logistics also has its own clinic on the East Rand which provides similar services to its own employees.

  Through the Road Freight Industry HIV/AIDS project, a network of providers are available which can provide confidential HIV/AIDS testing and treatment (including anti-retroviral treatment), and counselling services to infected employees.

- *ABET Training for Family Members of Employees*

  The ABET programme referred to above has been expanded to include family members of previously disadvantaged employees, thereby making a contribution to the upliftment of the broader community.

Bribery and corruption

Imperial is implacably opposed to corruption. It is the policy of Imperial not to offer, pay, or accept bribes in our dealings in the marketplace and we do not tolerate any such activity by our employees.

Further, employees should not accept nor solicit any non-minor gifts, hospitality or other favours from suppliers of goods or services.

The group has during the year instituted a secure and accessible channel through which 'whistle-blowing' 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 have been made during the year being reported upon.

Competition and pricing

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

The recently launched Competition Commission inquiry into anti-competitive practices in the motor industry encompasses all participants involved in the industry. The group is cooperating fully with the investigation and has submitted evidence where called upon to do so.

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 its own policy that is appropriate for the environment in which it operates. Certain business units do not have customer health and safety policies, primarily those businesses whose operations do not involve direct interaction with customers. Where appropriate, customer health and safety policies, and procedures are communicated to clients.

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 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 through a variety of mediums by the individual business units targeting markets and customers appropriate to such business units. The company 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 protect customer privacy.

Imperial Holdings

www.imperial.co.za

Principles of corporate governance and structures

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 supports 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 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 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 organizational 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 chairman and the majority of directors being non-executive.

Directors are appointed on the basis of skill, experience and their level of contribution to and 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 required to take part in a formal induction programme to facilitate their understanding of the group.

Currently the board consists of twelve non-executive directors and seven executive directors. Five of the non-executive directors, including the chairman, are independent. No block of directors can dominate the board and no shadow directors have been appointed. The non-executive directors 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 10.2% BEE shareholder. Popo Molefe and Valli Moosa represent Lereko Mobility, which as a BEE partner acquired 7.25% of the listed shares. Younaid Waja represents the Public Investment Corporation, a 20.3% shareholder.

At least one third of the non-executive directors retire by rotation each year and stand for re-election at every 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, annual financial statements and significant changes in accounting policies, changes to the board, including the appointment of the chief executive and executive succession, on recommendations from the remuneration and nominations committee and other matters having a material effect on the group or required by statute.

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

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 working 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 of the strategies and policies approved by the board.
- Managing the business and affairs of the group.

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

The current members are Bill Lynch (chairman), Carol Scott (deputy chairman), Osman Arbee, Terry Bantock, Ralph Boëttger, Hubert Brody, Manny de Canha, Walter Hill, Tak Hiemstra, Nazeer Hoosen and Hafiz Mahomed.

Audit committee

The group audit committee consists entirely of non-executive directors, one of whom is appointed as chairman. The quorum is the majority of 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 finance and risk management and control, also attend meetings when appropriate. The committee meets at least four times per year.

Divisional audit committees have been constituted which report significant issues to the group audit committee. Divisional audit committees are generally chaired by an independent chairman 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), Oshy Tugendhaft and Younaid Waja. Tak Hiemstra resigned during the year as the committee was reconstituted to comprise non-executive directors only.

Remuneration and nomination committee

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

The committee is responsible for:

- Recommending any significant changes in personnel policy
- Approval of remuneration and benefits of executive directors
- Guidance on remuneration and incentives of directors and other employees of subsidiaries
- Recommending significant changes to the group pension and provident funds and medical aid schemes
- Guidance on share incentive schemes and recommending significant changes
- Recommending increases to non-executive director's fees
- Recommending candidates for appointment to the board
- Executive succession
- Conducting an annual assessment of the performance of the board as well as the performance of the chairman and the chief executive officer

The current members are Leslie Boyd (chairman), Mike Leeming, Roy McAlpine, Eric Molobi (appointed on 23 August 2005) and Oshy Tugendhaft.

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

The decentralised structure of the group 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 remain 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 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 controls 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;
- 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), Ralph Boëttger, Tak Hiemstra and Veli Mokoena.

Asset and liability committee

The asset and liability committee (ALCO) was recently established and 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 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 by ensuring that the interest rate repricing profile of borrowings is matched to assets, or through interest rate derivatives, in order to attain an appropriate mix of fixed and floating rate exposures.

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

The ALCO meets 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, Mike Leeming, Bill Lynch, Hafiz Mahomed, Russell Mumford and Willem Reitsma.

Meeting attendance

The table below details attendance of board and committee meetings.

Directors	Board	Executive committee	Audit committee	Remuneration and nomination committee	Risk committee
Number of meetings during the year	**6**	**15**	**4**	**3**	**3**
Leslie Boyd	5			3	
Ralph Boëttger	6	15			3
Manny de Canha	6	13			
Phil Erasmus	6				
Tak Hiemstra	6	12	3/3		2/2
Phumzile Langeni	6				
Mike Leeming	6		4	3	
Bill Lynch	6	15			
Hafiz Mahomed	6	15			
Roy McAlpine	6			3	
Veli Mokoena	6				3
Popo Molefe	1/1*				
Eric Molobi	5				
Valli Moosa	1/1*				
Gerhard Riemann	3				
Carol Scott	6	14			
Max Sisulu	3				
Oshy Tugendhaft	6		4	3	3
Younaid Waja	6		2/2*		
Other executive committee members					
Osman Arbee		12/12*			
Terry Bantock		15			
Hubert Brody		14			
Walter Hill		13			
Nazeer Hoosen		14			

**Appointed during the year and attended all subsequent meetings.*

Company secretary

The board considers the company secretary, Rohan Venter, 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, and the removal of the company secretary is a matter for the board as a whole.

Accountability and audit

Going concern

The group audit committee minutes 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 should provide reasonable assurance regarding the safeguarding of assets and the prevention of their unauthorized use or disposal, as well as the maintenance of proper accounting records that should give reasonable assurance for the reliability of financial information produced.

Internal audit

The internal audit department has responsibilities clearly 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 evaluating and improving the adequacy and effectiveness of risk management, control and governance processes.

The internal audit activities of the Group are coordinated by Erich Clarke CA(SA), the Group Internal Audit Executive (GAE) based at the corporate office. He reports to the group chief executive 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 internal audit plan for the whole group is approved by the group audit committee. The GAE also attends and co-ordinates the activities of all divisional audit committees.

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

Financial reporting

Imperial Holdings 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 Holdings' or its listed subsidiary's securities, which include allocations of and dealings in the group's share incentive schemes (the securities). The board has determined certain closed periods during which directors and other senior management officials of the group may not deal, directly or indirectly, in the securities. In addition, the group has adopted a policy governing dealing in the securities by directors and the company secretary in accordance with the JSE Listings Requirements.

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

- We are committed to the adoption of fair labour practices at our workplaces, and our conditions of service comply with applicable laws and industry standards.
- We promote workplace equality and seek to eliminate all forms of unfair discrimination.
- We do not tolerate inhumane treatment of employees, including any form of forced labour, physical punishment, or other abuse.
- We prohibit the use of child labour.
- We recognise the right of our employees to freedom of association.
- We operate fair and appropriate means for the determination of terms and conditions of employment. We provide appropriate procedures for the protection of workplace rights and our employees' interests.
- We provide employees with opportunities to enhance their skills and capabilities, enabling them to develop fulfilling careers and to maximize their contribution to our business.

Safety, Health and Environmental stewardship

We report regularly at an executive level on our Safety, Health and Environment (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 minimize consumption of natural resources and waste generation, and to minimize 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.

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 Statements of Generally Accepted Accounting Practice in South Africa. The group's independent external auditors, Deloitte & Touche, have audited the financial statements and their unqualified report appears on page 87.

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, and to prevent and detect material misstatements and losses. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

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

The annual financial statements of the group and company that are set out on pages 88 to 140 were approved by the board of directors and are signed on their behalf by:

L Boyd
Chairman

W G Lynch
Chief Executive

A H Mahomed
Financial Director

23 August 2005

Certificate by company secretary

In my capacity as company secretary, I hereby confirm that in terms of the Companies Act, No 61 of 1973, as amended, for the year ended 25 June 2005, 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.

R A Venter
Secretary

23 August 2005

Report of the Independent Auditors

To the members of Imperial Holdings Limited

We have audited the group annual financial statements and company annual financial statements set out on pages 88 to 140 for the year ended 25 June 2005. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards required that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes;

- examining on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statements presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion these financial statements fairly presented in all material respects, the financial position of the group and the company at 25 June 2005 and the results of their operations and cash flows for the year then ended, in accordance with South African statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.

Deloitte & Touche
Chartered Accountants (SA)
Registered Accountants and Auditors

Johannesburg
23 August 2005

Nature of business

The nature of the business and operations is dealt with on pages 20 to 56.

Financial performance

Net attributable profit for the year amounted to R2 340 million (2004: R1 617 million) which represents headline earnings per share of 1 045.8 cents (2004: 835.9 cents – as restated).

The results of the group for the year are set out in the income statement on page 94 of this report.

Share capital

The authorised and issued share capital is detailed in note 21 to the financial statements.

The movements in the number of shares are as follows:

	Company	Treasury	Net
Balance brought forward	218 658 971	(18 568 996)	200 089 975
Shares cancelled	(14 532 422)	14 532 422	
Treasury stock purchased by subsidiary in terms of general authority		(911 169)	(911 169)
Treasury stock purchased by subsidiary in terms of scheme of arrangement		(14 533 096)	(14 533 096)
Share options exercised	1 268 400		1 268 400
	205 394 949	(19 480 839)	185 914 110

In order to facilitate the issue of shares in terms of the Lereko Mobility BEE transaction approved by shareholders on 6 June 2005, the group converted 50 000 000 authorised ordinary shares of 4 cents each into 49 999 000 preferred ordinary shares of 4 cents each and 1000 redeemable preference shares. These shares are not listed and the preferred ordinary shares have all the rights of the ordinary shares with the exception of a preferred entitlement to fixed dividends and capital distributions amounting to 535 cents per annum until they convert to ordinary shares in 2010.

The group entered into a scheme of arrangement in terms of section 311 of the Companies Act whereby its wholly owned subsidiary, Imperial Corporate Services (Pty) Limited (ICS) repurchased 7.25 of every 100 ordinary shares held by shareholders at a price of R96.85 per share (the scheme of arrangement). The scheme of arrangement was approved by shareholders on 6 June 2005 and sanctioned by the High Court on 14 June 2005, on which day it became binding on all the parties thereto. The financial effects of the scheme of arrangement were consequently accrued in this financial year although settlement only took place on 27 June 2005, after the financial year end.

In addition Imperial Holdings Limited cancelled 14 532 422 shares previously held as treasury shares.

Directors and secretary

The names of the directors and secretary who presently hold office are set on page 152.

Messrs P J Molefe and M V Moosa were appointed to the board of directors of the company on 22 June 2005. These appointments are to be confirmed at the forthcoming annual general meeting.

In accordance with the articles of association Messrs L Boyd, E Molobi, V J Mokoena and M V Sisulu retire by rotation at the forthcoming annual general meeting and 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 21 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 issue and options granted in terms of the scheme are set out in the Remuneration Report.

Capital distributions and dividends

Details of capital distributions and cash dividends are set out in note 9 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:

	2005 Rm	2004 Rm
Income	2 026	1 247
Losses	90	57

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:

- The group disposed of its entire shareholding in a wholly owned subsidiary involved in the freight forwarding business, JH Bachmann & Co GMBH and its shareholding in Capricorn Life.
- The group acquired an effective 90% shareholding in Premium Motor Group Australia RJV Limited, a motor retail business in Sydney, Australia.
- The group acquired a 60% shareholding in Naturelink Charters (Pty) Limited, a general aviation services company.

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 .
- Amendment of the articles of association altering certain rights of the deferred ordinary shares issued to Ukhamba Holdings (Pty) Limited.
- Conversion of 50 000 000 ordinary shares of 4 cents each into 49 999 000 preferred ordinary shares of 4 cents and 1 000 redeemable preference shares.
- Amendment of the articles of association to provide for the rights and conditions of the preferred ordinary shares and the redeemable preference shares.
- Specific authority to repurchase up to 15 000 000 shares from a subsidiary.
- Specific authority to repurchase shares from shareholders.
- Specific authority to repurchase shares from Lereko Mobility (Pty) Limited.

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

As detailed under the share capital heading above, the group settled the consideration for the acquisition of 14 533 096 ordinary shares at R96,85 per share and received the proceeds on the issue of 14 516 617 preferred ordinary shares to Lereko Mobility.

In terms of the Ukhamba black economic empowerment transaction 1 740 001 deferred ordinary shares converted to ordinary shares. These shares will be listed on the JSE.

Accounting policies

The principal accounting policies of Imperial Holdings Limited and the disclosures made in the annual financial statements conform to Statements of Generally Accepted Accounting Practice in South Africa.

During the financial year the accounting statement AC140 – Business Combinations and the revisions to AC128 – Impairment of Assets and AC129 – Intangible Assets were adopted.

The impacts of the adoption of these accounting statements are dealt with in note 2 to the financial statements.

As from the beginning of the new financial year the group will prepare financial statements in accordance with International Financial Reporting Standards.

Role of the remuneration and nominations committee and terms of reference

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

- Significant changes in personnel policy
- Approval of remuneration and benefits of executive directors
- 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 recommending significant changes
- Executive succession
- Increases in non-executive director's fees
- Candidates for appointment to the board

Membership of the committee

The committee is made up of the following non-executive directors:

- Leslie Boyd (chairman);
- Mike Leeming;
- Roy McAlpine;
- Eric Molobi (appointed on 23 August 2005); and
- Oshy Tugendhaft.

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

Remuneration policy

Principles of executive remuneration

Imperial's remuneration policy is formulated to attract and retain high-calibre executives and motivate them to develop and implement the company's business strategy in order to optimise long-term shareholder value creation. 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 will be earned through the achievement of demanding performance conditions consistent with shareholder interests over the short, medium, and long term;
- Incentive plans, performance measures, and targets are structured to operate soundly throughout the business cycle; and
- The design of long-term incentive schemes is prudent and does not expose shareholders to unreasonable financial risk.

Elements of executive remuneration

Executive director remuneration comprises the following four principal elements:

- Base salary;
- Annual bonus;
- Share ownership scheme; and
- Benefits.

The committee seeks to ensure an appropriate balance between the fixed and performance-related elements of executive director 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 the executive directors 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 consideration 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 the 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 at the middle market price ruling on the trading day prior to the date of allocation and vest after stipulated periods.

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, 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 director positions.

Proposals for new long-term incentive plans

The committee has developed two new long-term incentive plans for approval by shareholders that embody the following elements:

Imperial Bonus Right Scheme

The objective of the Imperial Bonus Right Scheme is to incentivise employees by paying a longer term bonus, linked to share price appreciation with which the employee is required to purchase Imperial shares. The Imperial Bonus Right Scheme wil be linked to stretching performance targets and the ultimate quantum of the bonus (if any) will depend on the level of achievement of the set performance targets.

Executive Share Purchase Scheme (ESPS)

The objective of the Executive Share Purchase Scheme is to align shareholders and executives interests by ensuring that the executive faces a similar risk profile to that of shareholders, including interest on funds borrowed to acquire shares as well as potential downside risk.

Sourcing of shares for share plans

It is not intended to issue any new shares to satisfy requirements in terms of the new share schemes, but rather to acquire any such shares on the open market.

(Further details of the proposed schemes are set out in the Annexure to the *Notice of Annual General Meeting*.)

Other matters affecting remuneration of directors

External appointments

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

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 R95 000 per annum (2004: R80 000). The chairman received twice a members' fee. Non-executive directors who serve on the Imperial Group committees each received fees per annum as follows: Audit committee R44 000 (2004: R40 000); Remuneration and nomination committee R30 000 (2004: R30 000), Risk committee R21 600 (2004: R20 000).

The non-executive directors do not participate in the company's annual bonus plan, share option schemes, or long-term incentive plan.

Details of recommended increases for the next financial year are set out on page 92.

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 2005.

Name	Salary R000	Bonus R000	Retirement and medical contribution R000	Other benefits (Note 1) R000	Directors' fees R000	Subsidiaries/ associates and sub-committee fees R000	2005 Total R000	2004 Total R000
Non-executive								
L Boyd					190	60	250	220
P L Erasmus					95	17	112	175
P Langeni					95		95	
M J Leeming					95	168	263	235
J R McAlpine					95	149	244	220
E Molobi					95		95	80
S A Tati								80
A Tugendhaft					95	117	212	170
V J Mokoena (note 2)	567	120	74	48	95		904	236
M V Sisulu (note 2)					95	250	345	77
Y Waja					95	44	139	
	567	120	74	48	1 045	805	2 659	1 493

Name	Salary R000	Bonus R000	Retirement and medical contribution R000	Other benefits (Note 1) R000	Directors' fees R000	Subsidiaries/ associates and sub-committee fees R000	2005 Total R000	2004 Total R000
Executive								
W G Lynch	2 452	1 200	438	109			4 199	3 705
R J Boëttger	1 791	1 200	394	316			3 701	3 156
M P de Canha	2 028	1 200	367	300			3 895	3 535
R L Hiemstra	1 849	1 000	292	373			3 514	2 553
A H Mahomed	2 193	1 200	404	205			4 002	3 530
G W Riemann (Note 3)	2 560	3 200	533	260	71		6 624	4 799
C E Scott	2 137	1 200	374	255			3 966	3 510
	15 010	10 200	2 802	1 818	71		29 901	24 788
Total	15 577	10 320	2 876	1 866	1 116	805	32 560	
June 2004	13 703	6 946	2 499	1 775	768	590		26 281

Notes

1. *Other benefits*
   These include the fringe benefit value of company cars, motor car allowances and the benefit received on the loan from the share trust.
2. *V J Mokoena is employed by Ukhamba Holdings (Pty) Limited and M V Sisulu is its chairman. Except for directors' fees, all other costs are borne by Ukhamba Holdings (Pty) Limited. V J Mokoena's directors' fee is paid to Ukhamba.*
3. *Overseas based*
   G W Riemann is employed in Germany and his salary is paid in euro based on the market conditions in that country.

Increase in directors' fees

At the annual general meeting on 1 November 2005, members will be requested to approve the following increases in non-executive directors' remuneration:

- Board member from R95 000 to R103 000;
- Deputy chairman from R95 000 to R125 000;
- Audit committee from R44 000 to R50 000;
- Risk committee from R21 600 to R40 000;
- Remuneration and nomination committee from R30 000 to R32 000.

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.
Chairmen of the board and committees receive twice a member's fee.

Directors' service contracts

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

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

Share incentive scheme

Executive directors participate in the share incentive scheme, designed to recognize 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. No new allocations were made during the financial year in the option scheme or the share incentive trust, both of which will be replaced by the new share incentive schemes being proposed to shareholders. 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	Option price	Date granted	Expiry date
W G Lynch	200 000		200 000	50.00	23-Jan-02	22-Jan-12
	75 000		75 000	53.20	30-Jun-03	29-Jun-13
R J Boëttger	150 000	150 000		57.60	24-Apr-01	24-Apr-11
	50 000		50 000	43.00	4-Apr-02	4-Apr-12
	30 000		30 000	53.20	30-Jun-03	29-Jun-13
R L Hiemstra	30 000		30 000	32.00	9-Dec-98	8-Dec-08
	30 000		30 000	53.20	30-Jun-03	29-Jun-13
A H Mahomed	50 000		50 000	37.00	13-Nov-98	12-Nov-08
	75 000		75 000	53.20	30-Jun-03	29-Jun-13
G W Riemann	50 000	50 000		55.80	9-Dec-99	8-Dec-09
C E Scott	75 000		75 000	53.20	30-Jun-03	29-Jun-13

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:

C E Scott	1 500 000		1 500 000	0.83	28-Feb-02	28-Feb-12

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

	2005 R000	2004 R000
R J Boëttger	6 588	268
G W Riemann	2 540	
C E Scott		460

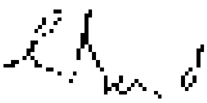
Loans granted by the share incentive trust

	2005 R000	2004 R000
R L Hiemstra		1 842
M P de Canha		1 969

Approval

This remuneration report was approved by the board of directors of Imperial.

Signed on behalf of the board of directors



Leslie Boyd

Chairman of the committee

23 August 2005

for the year ended 25 June	Notes	2005 Rm	2004 Rm
REVENUE	3	42 546	34 747
Net operating expenses	4	37 701	30 681
Profit from operations before depreciation and recoupments		4 845	4 066
Depreciation, amortisation and recoupments	5	1 322	1 193
Operating profit		3 523	2 873
Foreign exchange gains (losses)		7	(30)
Fair value gains (losses) to foreign exchange derivatives		107	(82)
Goodwill amortisation	5		(63)
Profit before net financing costs		3 637	2 698
Finance costs including fair value gains and losses	6	(647)	(529)
Finance income	6	61	51
Income from associates and joint ventures		216	228
Profit before exceptional items		3 267	2 448
Exceptional items	7	261	(26)
Profit before taxation		3 528	2 422
Taxation	8	994	692
Profit after taxation		2 534	1 730
Minority interest		194	113
Net attributable profit for the year		2 340	1 617
Earnings per share (cents)	10		
Basic		1 168.1	797.5
Diluted		1 095.7	748.9
Headline earnings per share (cents)	10		
Basic		1 045.8	835.9
Diluted		981.0	784.9

Group Balance Sheet

at 25 June	Notes	2005 Rm	2004 Rm
ASSETS			
Property, plant and equipment	11	2 760	2 311
Intangible assets	12	622	488
Investments in associates and joint ventures	13	1 917	1 770
Other investments and loans	14	1 284	890
Deferred tax assets	27	280	275
Leasing assets	15	5 818	4 785
Transport fleet	16	2 397	2 150
Vehicles for hire	17	790	734
Inventories	18	5 695	3 729
Trade and other receivables	19	6 164	4 769
Taxation in advance		128	98
Cash resources	20	1 043	1 261
Total assets		28 898	23 260
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	21	169	1 690
Non-distributable reserves	22a	747	380
Retained earnings		8 075	6 548
Ordinary shareholders' interest		8 991	8 618
Minority interest	23	463	442
Total shareholders' equity		9 454	9 060
Liabilities			
Insurance funds	24	978	833
Interest-bearing borrowings	25	2 629	3 626
Retirement benefit obligations	26	162	178
Deferred tax liabilities	27	885	630
Trade and other payables	28	7 101	5 086
Treasury stock buy-back liability	28	1 438	
Provisions for liabilities and other charges	29	682	475
Current tax liabilities		636	422
Current portion of interest-bearing borrowings	25	4 933	2 950
Total liabilities		19 444	14 200
Total equity and liabilities		28 898	23 260

Group Statement of Changes in Equity

for the year ended 25 June	Share capital Rm	Share premium Rm	Treasury stock Rm	Hedging reserve Rm	Contin-gency reserve Rm	Trans-lation reserve Rm	Asso-ciates' reserves Rm	Retained earnings Rm	Total Rm
				Non-distributable reserves					
Balance at 26 June 2003	9	2 858	(662)		46	98	259	5 591	8 199
Opening retained earnings adjustment resulting from AC133 reported in 2004								(146)	(146)
Balance at 26 June 2003 inclusive of 2004 prospective adjustment	9	2 858	(662)		46	98	259	5 445	8 053
Opening retained earnings adjustment resulting from AC105 (operating leases)							(1)	(34)	(35)
Net losses arising on translation of foreign operations not recognised in the income statement						(222)			(222)
Net attributable profit for the year								1 617	1 617
Share of distributable reserves of associates and joint ventures							177	(177)	
Contingency reserve created in terms of the Insurance Act					23			(23)	
Realised gains on sale of subsidiaries						(4)		4	
Revaluation of available-for-sale investments to fair value							4		4
Issue of 22 755 389 deferred ordinary shares	1								1
Issue of 1 901 401 ordinary shares		74							74
Purchase of 4 676 582 ordinary shares			(307)						(307)
Ordinary dividend of 140 cents per share net of treasury stock in September 2003								(284)	(284)
Capital distribution of 140 cents per share in March 2004		(305)	22						(283)
Balance at 25 June 2004	10	2 627	(947)		69	(128)	439	6 548	8 618
Opening retained earnings adjustment resulting from AC140 – Business combinations								17	17
Net gains arising on translation of foreign operations not recognised in the income statement						83			83
Net attributable profit for the year								2 340	2 340
Share of distributable reserves of associates and joint ventures							175	(175)	
Contingency reserve created in terms of the Insurance Act					29			(29)	
Cancellation of 14 532 422 treasury shares	(1)		627					(626)	
Purchase of 14 533 096 ordinary shares in terms of scheme of arrangement			(1 438)						(1 438)
Hedge accounting reserve				80					80
Issue of 1 268 400 ordinary shares		60							60
Purchase of 911 169 ordinary shares			(70)						(70)
Capital distribution of 175 cents per share in October 2004		(383)	34						(349)
Capital distribution of 175 cents per share in March 2005		(384)	34						(350)
Balance at 25 June 2005	9	1 920	(1 760)	80	98	(45)	614	8 075	8 991

Group Cash Flow Statement

for the year ended 25 June	Notes	2005 Rm	2004 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		41 321	34 538
Cash paid to suppliers and employees		(36 953)	(30 252)
Cash generated by operations	30a	4 368	4 286
Net financing cost		(554)	(533)
		3 814	3 753
Taxation paid		(565)	(614)
		3 249	3 139
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries and businesses	30b	(286)	(156)
Disposals of subsidiaries	30c	290	60
Expansion capital expenditure			
– Property, plant and equipment		(373)	(403)
– Leasing assets		(1 125)	(548)
– Transport fleet		(330)	(219)
– Vehicles for hire		(53)	
Net replacement capital expenditure	30d		
– Property, plant and equipment		(193)	(88)
– Leasing assets		(476)	(168)
– Transport fleet		(142)	(298)
– Vehicles for hire		(104)	(138)
– Intangible assets		(20)	(10)
Additional investments in and loans to associated companies, net of disposals		116	(313)
Purchase of equities and loans advanced		(601)	(680)
Proceeds on disposal of investments		417	552
		(2 880)	(2 409)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		60	75
Net purchase of treasury stock		(70)	(307)
Dividends paid		(66)	(427)
Capital distributions		(699)	(283)
Change in minority interest		1	(18)
(Decrease) increase in long-term borrowings		(662)	519
		(1 436)	(441)
Net (decrease) increase in cash and cash equivalents		(1 067)	289
Cash and cash equivalents at beginning of year		(1 275)	(1 564)
Cash and cash equivalents at end of year	30e	(2 342)	(1 275)

Segment Information – Income Statement

for the year ended 25 June	Group 2005 Rm	Group 2004 Rm	Logistics 2005 Rm	Logistics 2004 Rm	Leasing and fleet management 2005 Rm	Leasing and fleet management 2004 Rm	Aviation 2005 Rm	Aviation 2004 Rm
BUSINESS SEGMENTATION								
Revenue								
– Sales of goods	22 657	17 125	626	589	543	470	769	748
– Rendering of services	18 122	16 080	11 676	10 523	1 712	1 511	1 878	1 694
– Gross premiums received	1 709	1 491						
– Other	58	51	58	51			1	
	42 546	34 747	12 360	11 163	2 255	1 981	2 648	2 442
Inter-segment revenue			361	413	314	259	51	
	42 546	34 747	12 721	11 576	2 569	2 240	2 699	2 442
Operating expenses excluding gains and losses on investments	37 974	30 807	11 592	10 566	1 570	1 284	2 328	2 080
Investment income	(83)	(77)						
Fair value gains on investments	(190)	(49)						
Depreciation and amortisation	1 539	1 495	500	464	572	490	181	173
Recoupments	(217)	(302)	(69)	(54)	(42)	(59)	(53)	(74)
Operating profit	3 523	2 873	698	600	469	525	243	263
Foreign exchange gains (losses)	7	(30)	3	(16)	(11)	(12)	10	(9)
Fair value gains (losses) on foreign exchange derivatives	107	(82)	1		4	(8)	2	
Goodwill amortisation		(63)		(30)		(2)		
Profit before net financing costs	3 637	2 698	702	554	462	503	255	254
Net financing (costs) income	(586)	(478)	(92)	(105)	(165)	(156)	(152)	(125)
Income from associates and joint ventures	216	228	11	18	(1)		53	71
Profit before exceptional items	3 267	2 448	621	467	296	347	156	200
GEOGRAPHIC SEGMENTATION								
Revenue	42 546	34 747	12 721	11 576	2 569	2 240	2 699	2 442
– South Africa	33 615	27 165	6 116	5 267	2 131	1 832	1 972	1 888
– Rest of Africa	726	889	182	393	180	185		
– Rest of world	8 205	6 693	6 423	5 916	258	223	727	554
Operating profit	3 523	2 873	698	600	469	525	243	263
– South Africa	3 208	2 565	491	444	401	433	240	245
– Rest of Africa	105	135	11	23	45	69		
– Rest of world	210	173	196	133	23	23	3	18
Net financing costs (income)	586	478	92	105	165	156	152	125
– South Africa	553	444	85	94	144	134	153	123
– Rest of Africa	15	19	3	6	11	12		
– Rest of world	18	15	4	5	10	10	(1)	2

Car rental and tourism		Distributorships		Motor dealerships		Insurance		Head office and eliminations	
2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
1 323	1 252	8 603	5 025	10 793	9 041				
1 586	1 515	607	342	550	463	20	8	93	24
						1 709	1 491		
		(1)					1		(1)
2 909	2 767	9 209	5 367	11 343	9 504	1 729	1 500	93	23
160	185	446	918	730	586	298	131	(2 360)	(2 492)
3 069	2 952	9 655	6 285	12 073	10 090	2 027	1 631	(2 267)	(2 469)
2 419	2 321	8 666	5 674	11 739	9 788	1 873	1 475	(2 213)	(2 381)
						(83)	(77)		
						(190)	(49)		
205	295	62	50	34	32	9	9	(24)	(18)
(50)	(97)	(1)	(5)	(1)	(5)	(1)	(1)		(7)
495	433	928	566	301	275	419	274	(30)	(63)
2		4	7					(1)	
		101	(74)					(1)	
	(25)		(3)		(1)		(1)		(1)
497	408	1 033	496	301	274	419	273	(32)	(64)
(27)	(38)	(43)	(83)	(31)	(31)	1		(77)	60
1	1	49	24	2	1			101	113
471	371	1 039	437	272	244	420	273	(8)	109
3 069	2 952	9 655	6 285	12 073	10 090	2 027	1 631	(2 267)	(2 469)
2 821	2 852	8 695	6 199	12 073	10 090	1 902	1 506	(2 095)	(2 469)
152	100	162	86			125	125	(75)	
96		798						(97)	
495	433	928	566	301	275	419	274	(30)	(63)
485	421	943	568	301	275	374	242	(27)	(63)
10	12	(4)	(2)			45	32	(2)	1
		(11)						(1)	(1)
27	38	43	83	31	31	(1)		77	(60)
30	42	33	81	31	31	(1)		78	(61)
(2)	(2)	3	2						1
(1)	(2)	7						(1)	

Segment Information – Balance Sheet

for the year ended 25 June	Group 2005 Rm	Group 2004 Rm	Logistics 2005 Rm	Logistics 2004 Rm	Leasing and fleet management 2005 Rm	Leasing and fleet management 2004 Rm	Aviation 2005 Rm	Aviation 2004 Rm
BUSINESS SEGMENTATION								
Assets								
Property, plant and equipment	2 760	2 311	1 050	969	114	93	128	107
Intangible assets	622	488	256	226	4	15	77	21
Investments, loans and associates	2 225	1 956	1	100			774	506
Leasing assets	5 818	4 785			3 119	2 468	2 479	2 185
Transport fleet	2 397	2 150	2 461	2 208				
Vehicles for hire	790	734						
Inventories	5 695	3 729	154	182	310	292	676	501
Trade and other receivables	6 164	4 769	2 990	2 544	338	341	325	476
Cash in financial services businesses	454	473						
Operating assets	26 925	21 395	6 912	6 229	3 885	3 209	4 459	3 796
Deferred tax assets	280	275						
Loans to associates and other investments	976	704						
Taxation in advance	128	98						
Cash and cash equivalents	589	788						
Total assets per balance sheet	28 898	23 260						
Liabilities								
Insurance funds	978	833						
Retirement benefit obligations	162	178	162	178				
Accounts payable and provisions	7 783	5 561	2 432	2 349	540	457	513	404
Non-interest-bearing liabilities	8 923	6 572	2 594	2 527	540	457	513	404
Interest-bearing borrowings	7 562	6 576						
Treasury stock buy-back liability	1 438							
Deferred tax liabilities	885	630						
Current tax liabilities	636	422						
Total liabilities per balance sheet	19 444	14 200						
GEOGRAPHIC SEGMENTATION								
Operating assets	26 925	21 395	6 912	6 229	3 885	3 209	4 459	3 796
– South Africa	22 758	17 912	4 758	4 366	3 115	2 543	4 093	3 454
– Rest of Africa	566	552	122	213	269	190		
– Rest of world	3 601	2 931	2 032	1 650	501	476	366	342
Non-interest-bearing liabilities	8 923	6 572	2 594	2 527	540	457	513	404
– South Africa	7 591	5 390	1 713	1 572	439	353	383	388
– Rest of Africa	185	213	29	62	54	45		
– Rest of world	1 147	969	852	893	47	59	130	16
Interest-bearing borrowings	7 562	6 576	1 420	1 529	2 266	1 767	2 328	1 967
– South Africa	6 371	5 835	822	1 302	1 783	1 513	2 162	1 765
– Rest of Africa	273	217	61	69	145	90		
– Rest of world	918	524	537	158	338	164	166	202
Gross capital expenditure	4 627	3 834	907	895	1 612	1 372	463	207
– South Africa	4 182	3 292	784	699	1 347	1 190	421	53
– Rest of Africa	201	126	39	55	148	60		
– Rest of world	244	416	84	141	117	122	42	154
Gross capital expenditure	4 627	3 834	907	895	1 612	1 372	463	207
Less: Proceeds on disposal	(1 813)	(1 962)	(303)	(224)	(450)	(597)	(77)	(142)
Net capital expenditure	2 814	1 872	604	671	1 162	775	386	65

Car rental and tourism 2005 Rm	Car rental and tourism 2004 Rm	Distributorships 2005 Rm	Distributorships 2004 Rm	Motor dealerships 2005 Rm	Motor dealerships 2004 Rm	Insurance 2005 Rm	Insurance 2004 Rm	Head office and eliminations 2005 Rm	Head office and eliminations 2004 Rm
181	181	639	459	451	323	91	83	106	96
231	231	33		15	(2)	6	5		(8)
2	1	168	254	8	9	1 336	870	(64)	216
		227	139					(7)	(7)
								(64)	(58)
793	740							(3)	(6)
365	335	2 973	1 346	1 368	1 074			(151)	(1)
297	250	1 171	600	478	387	664	626	(99)	(455)
						454	473		
1 869	1 738	5 211	2 798	2 320	1 791	2 551	2 057	(282)	(223)
						978	833		
501	461	2 380	1 082	1 050	709	616	514	(249)	(415)
501	461	2 380	1 082	1 050	709	1 594	1 347	(249)	(415)
1 869	1 738	5 211	2 798	2 320	1 791	2 551	2 057	(282)	(223)
1 847	1 712	4 454	2 763	2 320	1 791	2 383	1 907	(212)	(624)
22	26	57	35			168	150	(72)	(62)
		700						2	463
501	461	2 380	1 082	1 050	709	1 594	1 347	(249)	(415)
454	449	2 243	1 066	1 050	709	1 519	1 268	(210)	(415)
22	12	21	16			75	79	(16)	(1)
25		116						(23)	1
163	311	978	434	121	19		14	286	535
99	270	439	405	121	19		14	945	547
12	41	56	29					(1)	(12)
52		483						(658)	
867	825	579	392	195	95	17	21	(13)	27
856	814	575	392	195	95	17	21	(13)	28
11	11	3							
		1							(1)
867	825	579	392	195	95	17	21	(13)	27
(659)	(620)	(283)	(334)	(35)	(25)	(3)	(7)	(3)	(13)
208	205	296	58	160	70	14	14	(16)	14

Note 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, except as indicated in note 2.

1.1 Basis of preparation

The consolidated financial statements are stated in rands and are prepared in accordance with and comply with Statements of Generally Accepted Accounting Practice in South Africa, effective for the group's financial year. The consolidated financial statements are prepared on the historical cost basis, modified by the restatement of financial instruments to fair value.

1.2 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. Where the group's interest in subsidiary undertakings is less than 100 per cent, the share attributable to outside shareholders is reflected in 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 (i.e. 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 into line with those used by the group.

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

1.3 Investment in associates

Investments in associates are accounted for using the equity method of accounting. These are undertakings in which the group has the power to exercise significant influence, but which it does not control.

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

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

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, except where unrealised losses provide evidence of an impairment of the asset transferred.

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

1.4 Joint ventures

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

The group's interest in jointly controlled entities is accounted for using the equity method of accounting as described in 1.3 above.

1.5 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and 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 operation from which the goodwill was originally generated. Goodwill impairments are not reversed.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. Goodwill arising on acquisitions before adopting AC 140 – Business Combinations, has been retained at the previous amounts subject to being tested for impairment at 26 June 2004. Goodwill written off to reserves under SA GAAP prior to 26 June 2000 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

1.6 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 2 and 20 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.

1.7 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. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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.

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Foreign currencies

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 retranslation are included in net profit or loss for the period.

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

Income statements of foreign entities 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 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.

Income statements of integrated foreign operations are translated into South African currency at weighted average exchange rates for the year and monetary assets and liabilities are translated at rates of exchange ruling at the balance sheet date. Transactions and resulting non-monetary items are translated at the exchange rate ruling at the transaction date. Translation gains and losses arising from the translation of integrated foreign operations are taken to income for the year.

Foreign currency transactions in group companies are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Such balances are translated at financial year-end exchange rates.

1.9 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 added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

1.10 Financial instruments

Financial instruments are initially measured at cost, which includes transaction costs, 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

Investments

Investments in all securities are initially recognised at trade date.

At subsequent reporting dates, originated debt securities that the group has the intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, 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.

Investments other than held-to-maturity debt securities are classified as either held for trading or available for sale, and are measured at subsequent reporting dates at fair value.

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

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

Originated loans receivable

Originated 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.

Originated loans payable

Interest-bearing borrowings 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 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 market place 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.

Financial liabilities under insurance contracts

Policyholder contracts that do not transfer significant insurance risk are measured at fair value and are carried as a liability in the balance sheet, to the extent not distributed to policyholders. Changes in fair value of the recognised liability are included in the income statement for the period. The premiums and benefit payments relating to these contracts are excluded from the income statement and are accounted for directly to the liability.

Derivative instruments

The group uses derivative financial instruments primarily relating to foreign currency protection and to alter interest rate profiles.

Foreign currency forward contracts (FEC's) 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.

Such derivatives are initially recorded at cost, if any, and are subsequently measured to fair value.

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

Listed investments are carried at market value, which is calculated by reference to stock exchange quoted prices at the close of business on the balance sheet date.

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.

Where the future cash flows cannot be reliably established cost is used.

1.11 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. Major improvements to leasehold properties are capitalised and written off over the period of the leases.

All other assets are recorded at historical cost less accumulated depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each asset to its residual value over its estimated useful life as follows:

Buildings	20 to 67 years
Equipment and furniture	3 to 10 years
Motor vehicles	3 to 5 years
Leasing assets	3 to 10 years
Transport fleet	3 to 12 years
Vehicles for hire	2 to 5 years

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. (Refer note 1.7).

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

1.12 Leases

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

The group as lessor

Finance leases

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

Operating leases

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

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

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.

1.13 Insurance funds

Life assurance

The life fund represents the group's existing obligations to policyholders.

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 group's liabilities under insurance contracts and investment contracts are actuarially calculated annually as at the balance sheet date in accordance with prevailing legislation, Generally Accepted Actuarial Standards in South Africa and South African Statements of Generally Accepted Accounting Practice as appropriate. The transfers to or from policyholder liabilities reflected in the notes to the financial statements represent the increase or decrease in liabilities, including provisions for policyholders' bonuses, net adjustments to policyholders' bonus stabilisation reserves, and net adjustments to margins held within the policyholder liabilities.

Short-term insurance

A provision for unearned premiums, representing the proportion of premiums written during the current year, which relate to risks that have not expired by the end of the financial year, is raised on the 365ths or more conservative basis after making allowance for acquisition costs.

1.14 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	Average cost
Merchandise	First in, first out

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

1.15 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 schemes are reviewed at least on a triennial basis or in accordance with local practice and regulations. In the intervening years, the actuary reviews the continuing appropriateness of the assumptions applied. The actuarial assumptions used to calculate the projected benefit obligations of the group's 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.

1.16 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.

1.17 Taxation

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

1.18 Deferred taxes

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 principal, deferred tax liabilities are recognised for all temporary differences arising from depreciation on property, plant and equipment, revaluations of certain non-current assets, 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.

1.19 Revenue recognition

Revenue, which excludes value-added tax and transactions between group companies, is recognised as follows:

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

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

Insurance premiums are stated before deducting reinsurances and commissions, and are accounted for at the commencement of the risk.

Cash dividends and the cash equivalent of capitalisation share awards received are recognised when the right to receive payment or transfer is established.

1.20 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 inter-group 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.

1.21 Discontinued operations

Discontinuing operations are significant, distinguishable components of an enterprise that have been sold, abandoned or are the subject of formal plans for disposal or discontinuance. The profit or loss on the sale or abandonment of a discontinuing operation is determined from the formalised discontinuance date.

1.22 Headline earnings per share

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.

Note 2

CHANGES IN ACCOUNTING POLICY AND ACCOUNTING DEVELOPMENTS

2.1 AC 105 – Operating leases

According to recent accounting developments, operating lease expenses should be charged to the income statement on the straight-line basis unless another systematic method is more representative of the time pattern of the user's benefit. Previously, operating leases were accounted for as an expense when incurred. As this is a retrospective adjustment, comparatives have been restated. Accounts receivable and accounts payable have also been restated.

The effect on restated earnings is as follows:

	2005 Rm	2004 Restated Rm	Pre 2004 Opening adjustment Rm
Gross	(10)	(13)	(51)
Taxation	3	4	15
Outside shareholders			2
Net reduction of attributable profit	(7)	(9)	
Net reduction of opening retained earnings			(34)
Net reduction of associate's reserves			(1)
Net reduction of opening equity			(35)

The effect on earnings per share is as follows:

	2004 Restated Cents	2004 As stated before Cents
Earnings per share (cents)		
Basic	797.5	802.3
Diluted	748.9	753.4
Headline earnings per share (cents)		
Basic	835.9	840.5
Diluted	784.9	789.2

2.2 Adoption of AC 140 – Business Combinations, and revisions to AC 128 – Impairment of Assets and AC 129 – Intangible Assets

During the current year the group adopted AC 140 – Business Combinations, which results in goodwill no longer being amortised but rather reviewed for impairment. Negative goodwill of R17 million was written back to opening equity, and there was no taxation or outside shareholder effect. As this is a prospective adjustment, comparatives have not been restated.

In 2005 the goodwill impairment was R67 million and there was no amortisation. In 2004 goodwill of R33 million was impaired and the amortisation charge was R63 million.

There is no impact on headline earnings per share as goodwill amortisation is added back in this calculation.

2.3 Revenue classification

Tourvest Inbound Division

During the year, the Tourvest Inbound Division changed its definition of revenue. In line with the practice in the industry, revenue from the Tourvest Inbound Operator is now accounted for on a net basis, that is net commissions receivable. Previously, revenue was accounted for as the gross amounts billed to customers. Comparatives have been restated accordingly.

Financial Services Businesses Investment Income

Previously dividends and interest earned in the Insurance businesses were classified as revenue. In the current year, this classification has been changed to include it in investment income as part of operating profit.

The above revenue classification changes had no other effect on the income statement or balance sheet other than the calculation of revenue as noted below:

	2005 Rm	2004 Rm
As stated before the restatement	43 012	35 278
Less:		
– Revenue from Tourvest Inbound operator now accounted for on a net commission basis	383	454
– Financial services investment income	83	77
	42 546	34 747

Comparatives on the segmental analysis on page 98 have been restated accordingly.

25 June	2005 Rm	2004 Rm
Note 3		
REVENUE		
3.1 An analysis of the group's revenue is as follows:		
Sales of goods	22 657	17 125
Rendering of services	18 122	16 080
Gross premiums received	1 709	1 491
Other	58	51
	42 546	34 747
Revenue includes:		
3.2 Intergroup revenue received by subsidiaries from the group's associates, joint ventures and pension and provident funds		
Sales of goods	209	275
Rendering of services	86	45
Gross premiums received	64	49
	359	369
Intergroup revenue excludes:		
3.3 Revenue between subsidiaries		
Sales of goods	1 048	1 367
Rendering of services	1 025	1 020
Gross premiums received	278	117
	2 351	2 504

	Notes	2005 Rm	2004 Rm
Note 4			
NET OPERATING EXPENSES			
Purchase of goods		21 842	15 353
Changes in inventories before net acquisitions of subsidiaries and businesses		(1 533)	(178)
Cost of outside services		8 359	7 736
Reinsurance, claims and premium costs		1 607	1 298
Financial services – interest paid	6	10	3
Staff costs		4 989	4 158
Other operating costs		3 089	2 877
Investment income		(83)	(77)
Other operating income		(579)	(489)
		37 701	30 681
The above costs are arrived at after including:			
Auditors' remuneration			
Audit fees		33	29
Consulting services		6	4
		39	33
Rental and operating lease charges			
Plant and equipment		52	36
Property		376	363
Vehicles		19	10
		447	409
Gains on investments		(190)	(49)
(Impairment reversal) impairment of aviation leasing aircraft		(10)	64
Consultancy and other technical fees		51	50

25 June	2005 Rm	2004 Rm
Note 5		
DEPRECIATION, AMORTISATION AND RECOUPMENTS		
Property, plant and equipment	266	256
Leasing assets	750	661
Transport fleet	350	317
Vehicles for hire	153	240
Intangible assets	20	21
	1 539	1 495
Profit on disposal of property, plant and equipment	(7)	(12)
Profit on disposal of leasing assets	(95)	(136)
Profit on disposal of transport fleet	(64)	(52)
Profit on disposal of vehicles for hire	(51)	(103)
Loss on disposal of intangible assets		1
	1 322	1 193
Goodwill amortisation		63
	1 322	1 256

25 June	2005 Rm	2004 Rm
Note 6		
FINANCING		
Non-financial services businesses		
Interest paid	616	586
Capitalised to property, plant and equipment	(1)	(2)
Fair value losses (gains) arising from interest-bearing borrowings and interest-swap instruments	32	(55)
	647	529
Finance income	(61)	(51)
Net finance cost	586	478
Analysis of financial services businesses interest included in profit from operations		
Interest on advances and investments	75	66
Less: Interest from group companies	9	5
Net interest on advances included in investment income	66	61
Net interest paid included in operating expenses	10	3
Net interest	56	58
Note 7		
EXCEPTIONAL ITEMS		
Surplus on disposal of 50.1% of Imperial Bank Limited		53
Impairment of property, plant and equipment		(41)
Loss on closure of businesses	(16)	
Impairment of goodwill	(67)	(33)
Impairment reversal of other assets		3
Profit (loss) on disposal of investments in subsidiaries and associates	344	(8)
	261	(26)
Share of minority interests	1	(1)
	262	(27)

25 June	2005 Rm	2004 Rm
Note 8		
TAXATION		
Taxation charge		
South African normal taxation		
– Current	570	417
– Prior year underprovisions	95	
	665	417
Foreign and withholding taxation		
– Current	65	87
– Prior year overprovisions	(1)	(2)
	64	85
Deferred		
– Current year	210	85
– Prior year underprovisions	21	9
– Tax rate adjustment	(14)	
	217	94
Secondary taxation on companies	16	60
Capital gains		
– Current	1	
– Deferred	31	36
	32	36
	994	692
Reconciliation of tax rates:	%	%
Profit before taxation, excluding exceptional items and income from associates and joint ventures – effective rate	32.6	31.2
Taxation effect of:		
– Foreign tax differential	0.4	0.3
– Taxation assets not recognised		0.5
– Disallowable charges	(1.8)	(2.4)
– Exempt/capital income	2.7	5.2
– Secondary tax on companies	(0.5)	(2.7)
– Capital gains	(1.1)	(1.6)
– Tax rate adjustment	0.5	
– Prior year underprovisions	(3.8)	(0.5)
	29.0	30.0

Note 9

DIVIDENDS AND CAPITAL DISTRIBUTIONS

INTERIM

– Instead of an ordinary dividend, a capital distribution of 175 cents per share was made on 22 March 2005.

– In the prior year, instead of an ordinary dividend, a capital distribution of 140 cents per share was made on 23 March 2004.

FINAL

– Instead of an ordinary dividend, a capital distribution of 220 cents per share is payable on 3 October 2005.

– In the prior year, instead of an ordinary dividend, a capital distribution of 175 cents per share was made on 4 October 2004.

25 June	2005 Rm	2004 Rm
Note 10		
EARNINGS PER SHARE		
Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.		
Net profit attributable to ordinary shareholders	2 340	1 617
Weighted average number of ordinary shares	200	203
Basic earnings per share (cents)	1 168.1	797.5
For fully diluted attributable earnings per share, the weighted average number of ordinary shares in issue is adjusted by outstanding share options and deferred ordinary shares.		
Weighted average number of ordinary shares	200	203
Adjusted for share options and deferred ordinary shares	13	13
Weighted average number of ordinary shares for diluted earnings	213	216
Diluted earnings per share (cents)	1 095.7	748.9

25 June	2005 Rm	2004 Rm
Note 10		
EARNINGS PER SHARE (continued)		
Headline earnings and headline diluted earnings per share is calculated as follows:		
Net profit attributable to ordinary shareholders	2 340	1 617
Profit on disposal of property, plant and equipment, net of taxation	(5)	(9)
Goodwill amortised, net of taxation		59
Exceptional items, net of taxation and minority share	(240)	27
Headline earnings and diluted headline earnings	2 095	1 694
Weighted average number of ordinary shares	200	203
Headline basic earnings per share (cents)	1 045.8	835.9
Weighted average number of ordinary shares for diluted earnings	213	216
Headline diluted earnings per share (cents)	981.0	784.9

	Land, buildings and leasehold improvements Rm	Equipment and furniture Rm	Motor vehicles Rm	Total Rm
Note 11				
PROPERTY, PLANT AND EQUIPMENT				
Year ended 25 June 2005				
– Cost	2 423	1 545	263	4 231
– Accumulated impairment and depreciation	401	931	139	1 471
	2 022	614	124	2 760
Net book value at beginning of year	1 647	550	114	2 311
Net acquisition of subsidiaries and businesses	62	38	4	104
Additions	373	214	76	663
Disposals	(34)	(24)	(39)	(97)
Depreciation	(55)	(173)	(38)	(266)
Profit (loss) on disposal	2	(1)	6	7
Currency adjustments	27	10	1	38
Net book value at end of year	2 022	614	124	2 760

	Land, buildings and leasehold improvements Rm	Equipment and furniture Rm	Motor vehicles Rm	Total Rm
Note 11				
PROPERTY, PLANT AND EQUIPMENT (continued)				
Year ended 25 June 2004				
– Cost	1 976	1 372	244	3 592
– Accumulated impairment and depreciation	329	822	130	1 281
	1 647	550	114	2 311
Net book value at beginning of year	1 545	517	118	2 180
Net acquisition of subsidiaries and businesses	14	1		15
Additions	270	241	67	578
Disposals	(34)	(15)	(38)	(87)
Depreciation	(55)	(166)	(35)	(256)
Impairments	(41)			(41)
Profit on disposal	8		4	12
Currency adjustments	(60)	(28)	(2)	(90)
Net book value at end of year	1 647	550	114	2 311

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 25).

	2005 Rm	2004 Rm
The total value of capitalised finance leases included above	33	39

	Goodwill Rm	Computer software Rm	Other Rm	Total Rm
Note 12				
INTANGIBLE ASSETS				
Year ended 25 June 2005				
– Cost	688	131	6	825
– Accumulated impairment and amortisation	100	102	1	203
	588	29	5	622
Net book value at beginning of year	454	34		488
Prior year adjustment	17			17
Net acquisition of subsidiaries and businesses	174			174
Additions		17	7	24
Disposals		(4)		(4)
Impairments	(67)			(67)
Amortisation		(19)	(1)	(20)
Currency adjustments	10	1	(1)	10
Net book value at end of year	588	29	5	622

	Goodwill Rm	Computer software Rm	Other Rm	Total Rm
Note 12				
INTANGIBLE ASSETS (continued)				
Year ended 25 June 2004				
– Cost	650	118		768
– Accumulated impairment and amortisation	196	84		280
	454	34		488
Net book value at beginning of year	455	49		504
Acquisition of subsidiaries and businesses	122			122
Additions		13		13
Disposals		(3)		(3)
Impairments	(33)			(33)
Amortisation	(63)	(21)		(84)
Loss on disposal		(1)		(1)
Currency adjustments	(27)	(3)		(30)
Net book value at end of year	454	34		488

Goodwill impairment testing

Goodwill is allocated to cash generating units (CGU's) that are measured individually for the purpose of impairment testing. A CGU represents the business operation from which the 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 to sell

Fair value less costs is calculated with reference to publicly traded market prices. CGU's that are significant in relation to the group's total goodwill carrying amount are outlined below. The remainder of the goodwill carrying amount is made up of numerous CGU's spanning all of the group's segments.

	Carrying amount Rm	Basis for determining reverable amount	Discount rate applied to cash flows	Growth rate used to extrapolate cash flows
Cash generating unit (CGU)				
Imperial Reederei GmbH	135	Value in use	11.9%	2.0%
Tourism Investment Corporation Limited	143	Fair value	N/a	N/a

25 June	2005 Rm	2004 Rm
Note 13		
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES		
Listed shares at cost		23
Unlisted shares at cost	445	390
Share of post-acquisition reserves (net of impairments)	590	405
Goodwill written off	(22)	(22)
Carrying value of shares	1 013	796
Indebtedness by associates and joint ventures	904	974
	1 917	1 770
Valuation of shares		
Listed shares at market value		127
Unlisted shares at directors' valuation	1 013	748
	1 013	875

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 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	Other	2005 Rm	2004 Rm
INCOME STATEMENTS				
Revenue	210	312	522	455
Profit before net financing costs	178	19	197	213
Net finance cost	(112)	(7)	(119)	(103)
Profit before taxation	66	12	78	110
Taxation	(21)	(4)	(25)	(31)
Net profit for the year	45	8	53	79
BALANCE SHEETS				
Total assets	1 878	352	2 230	2 116
Capital and reserves, including minorities	90	38	128	73
Interest-bearing borrowings	1 001	240	1 241	1 533
Non-interest-bearing liabilities	787	74	861	510
Total equity and liabilities	1 878	352	2 230	2 116

Analysis of associates

	Imperial Bank	Other	2005 Rm	2004 Rm
Note 13				
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)				
INCOME STATEMENTS				
Revenue	423	2 209	2 632	2 149
Profit before net financing costs	106	110	216	174
Net finance (cost) income		(9)	(9)	5
Profit before taxation	106	101	207	179
Taxation	(15)	(29)	(44)	(30)
Net profit for the year	91	72	163	149
BALANCE SHEETS				
Total assets	9 313	973	10 286	8 143
Capital and reserves, including minorities	667	278	945	756
Interest-bearing borrowings	8 430	210	8 640	6 828
Non-interest-bearing liabilities	216	485	701	559
Total equity and liabilities	9 313	973	10 286	8 143

25 June	2005 Rm	2004 Rm
Note 14		
OTHER INVESTMENTS AND LOANS		
Investments		
Listed, at market value	1 121	698
Unlisted at fair value	91	62
	1 212	760
The above are categorised as follows		
– Held for trading	1 121	728
– Available for sale	91	32
	1 212	760

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

25 June	2005 Rm	2004 Rm
Note 14		
OTHER INVESTMENTS AND LOANS (continued)		
Loans		
Share incentive trust receivables		28
Other loans	72	102
	72	130
Total other investments and loans	1 284	890
Maturity analysis on loans		
Maturing within one year	32	62
Maturing after one year but within five years	40	68
	72	130
Effective interest rates		
Share Incentive Trust receivables	0% – 8%	0% – 8%
Other loans	3.3% – 13.5%	5% – 13.5%

Note 15

LEASING ASSETS

25 June	Aviation fleet Rm	Leasing and fleet management Forklifts Rm	Leasing and fleet management Vehicles Rm	Distributorship vehicles Rm	Total Rm
Year ended 25 June 2005					
– Cost	3 380	1 597	2 617	228	7 822
– Accumulated impairment and depreciation	901	502	600	1	2 004
	2 479	1 095	2 017	227	5 818
Net book value at beginning of year	2 185	994	1 468	138	4 785
Net acquisition of subsidiaries and businesses	31		19		50
Additions	435	520	1 050	393	2 398
Disposals	(74)	(214)	(232)	(277)	(797)
Depreciation	(169)	(229)	(322)	(30)	(750)
Impairment reversal	10				10
Profit on disposal	52		41	2	95
Currency adjustments	9	24	(7)	1	27
Net book value at end of year	2 479	1 095	2 017	227	5 818
Year ended 25 June 2004					
– Cost	2 929	1 366	1 972	139	6 406
– Accumulated impairment and depreciation	744	372	504	1	1 621
	2 185	994	1 468	138	4 785
Net book value at beginning of year	2 311	929	1 239	234	4 713
Additions	177	483	856	254	1 770
Disposals	(140)	(180)	(408)	(326)	(1 054)
Depreciation	(163)	(195)	(276)	(27)	(661)
Impairments	(64)				(64)
Profit on disposal	74		59	3	136
Currency adjustments	(10)	(43)	(2)		(55)
Net book value at end of year	2 185	994	1 468	138	4 785

Certain leasing assets have been encumbered as security for interest-bearing borrowings (note 25).

25 June	2005 Rm	2004 Rm
The total value of capitalised finance leases included above	259	279

25 June	2005 Rm	2004 Rm
Note 16		
TRANSPORT FLEET		
Cost	4 051	3 680
Accumulated depreciation	1 654	1 530
	2 397	2 150
Net book value at beginning of year	2 150	1 881
Net acquisition of subsidiaries and businesses	50	51
Additions	733	714
Disposals	(261)	(197)
Depreciation	(350)	(317)
Profit on disposal	64	52
Currency adjustments	11	(34)
Net book value at end of year	2 397	2 150
The total value of capitalised finance leases included above	20	22
Certain transport fleet assets have been encumbered as security for interest-bearing borrowings (note 25).		
Note 17		
VEHICLES FOR HIRE		
Cost	976	973
Accumulated depreciation	186	239
	790	734
Net book value at beginning of year	734	735
Additions	811	760
Disposals	(654)	(622)
Depreciation	(153)	(240)
Profit on disposal	51	103
Currency adjustments	1	(2)
Net book value at end of year	790	734

25 June	2005 Rm	2004 Rm
Note 18		
INVENTORIES		
New vehicles	2 845	1 363
Used vehicles	1 416	1 150
Used aircraft	181	125
Spares, accessories and finished goods	857	666
Petrol and oil	26	47
Merchandise	286	325
Work in progress	84	53
	5 695	3 729
Inventories carried at net realisable value included above	2 036	771
Note 19		
TRADE AND OTHER RECEIVABLES		
Trade	5 367	4 161
Reinsurance debtors	412	369
Prepayments and other	177	180
Fair value of derivatives	208	59
	6 164	4 769
Note 20		
CASH RESOURCES		
Deposits and funds at call	669	713
Cash on hand and at bank	374	548
	1 043	1 261
Effective interest rates	2.0% – 6.3%	2.0% – 7.0%

25 June	2005 Rm	2004 Rm
Note 21		
SHARE CAPITAL AND PREMIUM		
Authorised share capital		
400 000 000 (2004: 450 000 000) ordinary shares of 4 cents each	16	18
50 000 000 (2004: 50 000 000) deferred ordinary shares of 4 cents each	2	2
49 999 000 (2004: Nil) preferred ordinary shares of 4 cents each	2	
1 000 (2004: Nil) redeemable preference shares of 4 cents each		
	20	20
Issued share capital		
205 394 949 (2004: 218 658 971) ordinary shares of 4 cents each	8	9
22 755 389 (2004: 22 755 389) deferred ordinary shares of 4 cents each	1	1
	9	10
Share premium	1 920	2 627
Treasury stock		
19 480 839 (2004: 18 568 996) ordinary shares at an average of R90.33 (2004: R51.01) each	(1 760)	(947)
	169	1 690

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 2005 to June 2018.

If the deferred ordinary shares have not converted by then 500 000 deferred ordinary shares will convert annually until the full 10.1% of the issued deferred ordinary shares are converted.

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 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 year's base headline earnings hurdle: 25% attributed to Ukhamba.

  Earnings within a 15% to 17% growth rate on the previous year's base headline earnings hurdle: 50% attributed to Ukhamba.

  Earnings in excess of 17% growth rate on the previous year's base headline earnings hurdle: 75% attributed to Ukhamba.
- At the end of each financial year, the amount calculated as value attributed to Ukhamba will be translated into a number of ordinary shares based on a five-month volume-weighted average share price.
- It will be this number of shares that will become ordinary shares on an annual basis.
- The maximum number of deferred ordinary shares that can convert in any one year is 2.5% of the weighted number of ordinary shares in issue.
- Earnings within a 10% to 13% growth rate will give rise to a minimum of 1 million ordinary shares converted.

During the next seven years:

- To the extent that there remain deferred ordinary shares that have not converted into ordinary shares then the remaining deferred ordinary shares will convert on a non-cumulative basis as follows:

  If headline earnings per share growth over the previous financial year equals or exceeds 10% then 500 000 deferred ordinary shares will convert into ordinary shares.

  11% then 750 000 deferred ordinary shares will convert into ordinary shares.

  12% then 1 000 000 deferred ordinary shares will convert into ordinary shares.

  13% then 1 250 000 deferred ordinary shares will convert into ordinary shares.

If headline earnings per share growth over the previous financial year is lower than 10% there will be no conversion of deferred ordinary shares into ordinary shares.

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.

After the financial year-end 1 740 001 deferred ordinary shares were converted into ordinary shares, and will be listed on the JSE Limited.

Note 21

SHARE CAPITAL AND PREMIUM

(continued)

Preferred ordinary shares

The company converted 49 999 000 authorised ordinary shares of 4 cents each into 49 999 000 preferred ordinary shares of 4 cents each to facilitate the issue of shares in terms of the Lereko Mobility BEE transaction. 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 the ordinary shares and be listed on the JSE Limited.
- 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.

Preference shares

The company converted 1 000 authorised ordinary shares of 4 cents each into 1 000 redeemable preference shares of 4 cents each.

These shares are not listed.

25 June	2005 Number of shares	2004 Number of shares
Note 21		
SHARE CAPITAL AND PREMIUM		
(continued)		
Imperial Holdings Share Incentive Trust		
The number of ordinary shares authorised	6 000 000	6 000 000
Shares issued at end of year	4 901 500	4 901 500
Ordinary shares still available to the trust	1 098 500	1 098 500
Share Option Scheme		
Total ordinary shares authorised	9 500 000	9 500 000
Less: Options exercised	6 235 867	5 405 767
	3 264 133	4 094 233
Options granted at beginning of year	1 793 050	3 162 051
Options exercised during the year	(830 100)	(1 351 901)
Options forfeited during the year	(72 500)	(17 100)
Unexercised options at end of year	890 450	1 793 050
Ordinary shares still available under the scheme	2 373 683	2 301 183
Imperial Holdings Share Purchase Scheme		
Options granted at beginning of year	2 097 800	2 359 300
Options granted during the year		779 500
Options exercised during the year	(438 300)	(549 500)
Options forfeited during the year	(6 000)	(491 500)
Unexercised options at end of year	1 653 500	2 097 800

Note 21

SHARE CAPITAL AND PREMIUM (continued)

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

Grant date	No. of options	Average price	Expiry date
July 1995 to June 1996	42 400	36.20	July 2005 to June 2006
July 1996 to June 1997	11 000	47.20	July 2006 to June 2007
July 1997 to June 1998	1 500	60.00	July 2007 to June 2008
July 1998 to June 1999	650 250	38.72	July 2008 to June 2009
July 1999 to June 2000	179 100	56.00	July 2009 to June 2010
July 2000 to June 2001	6 200	54.89	July 2010 to June 2011
Total unexercised options at end of year	890 450		
Total weighted average price		42.33	

Share purchase scheme – details of shares by year of grant

Grant date	No. of options	Average price	Expiry date
July 2001 to June 2002	759 000	51.42	August 2005 to August 2006
July 2002 to June 2003	430 000	52.24	August 2006 to August 2007
July 2003 to June 2004	464 500	61.71	August 2007 to August 2008
Total unexercised options at end of year	1 653 500		
Total weighted average price		54.52	

Note 21

SHARE CAPITAL AND PREMIUM (continued)

Directors' interests in share capital

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

	2005		2004	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Non-executive				
L Boyd	928		1 000	
P L Erasmus		13 065		14 086
M J Leeming		928		1 000
Y Waja		927		
	928	14 920	1 000	15 086
Executive				
W G Lynch	9 265 349			9 974 925
R J Boëttger	9 275			
M P de Canha	91 612	264 215	47 768	100 000
R L Hiemstra	103 815		63 447	
A H Mahomed	137 909	8 753	148 689	9 437
C E Scott	403 015		392 557	
Total	10 010 975	272 968	652 461	10 084 362
	10 011 903	287 888	653 461	10 099 448

Since the year-end as a result of the implimentation of the Lereko Mobility BEE transaction P S Molefe and M V Moosa each aquired an effective beneficial interest in 1 422 948 preferred ordinary shares and E Molobi aquired an effective beneficial interest in 367 212 preferred ordinary shares.

25 June	2005 Rm	2004 Rm
Note 22a		
NON-DISTRIBUTABLE RESERVES		
Share of post-acquisition reserves of associates and joint ventures	614	439
Deficit on revaluation of foreign investments (note 22b)	(45)	(128)
Contingency reserve created in terms of the Insurance Act	98	69
Hedging reserve	80	
	747	380
Note 22b		
NON-DISTRIBUTABLE RESERVES		
Translation reserve		
Balance at beginning of year	(128)	98
Property, plant and equipment	38	(90)
Intangible assets	10	(30)
Investments, loans and associates	(7)	(26)
Leasing assets	27	(55)
Transport fleet	11	(34)
Vehicles for hire	1	(2)
Inventories	4	(10)
Trade and other receivables	64	(155)
Cash and cash equivalents	10	(54)
Insurance funds	5	8
Interest-bearing borrowings	(16)	73
Retirement benefit obligations	(11)	29
Deferred taxation	4	(11)
Trade and other payables	(49)	125
Provisions for liabilities and charges	(3)	10
Current taxation	(1)	
Minorities	(4)	(4)
Balance at end of year	(45)	(128)

25 June	2005 Rm	2004 Rm
Note 23		
MINORITY INTEREST		
Balance at beginning of year	442	491
Prior year adjustment		(1)
Net minorities acquired	(112)	(4)
Capital received (repaid)	1	(18)
Share of net profit	194	113
Dividends	(66)	(143)
Currency adjustments	4	4
Balance at end of year	463	442
Note 24		
INSURANCE FUNDS		
Life funds	499	620
Short-term insurance funds	479	213
	978	833

A valuation of the assets and policy liabilities of Regent Life Assurance Company Limited and its subsidiaries has been conducted in accordance with generally accepted actuarial principles by R D Williams, an independent valuator as at 25 June 2005. Based on the valuation he has certified that in his opinion, Regent Life Assurance Company Limited and its subsidiaries were financially sound.

25 June	2005 Rm	2004 Rm
Note 25		
INTEREST-BEARING BORROWINGS		
Long-term		
– Loans secured by mortgage bonds over fixed property	34	28
– Liabilities under capitalised finance leases	250	298
– Instalment sale creditors secured by leasing assets	176	146
– Corporate bonds*	2 753	2 714
– Held at fair value – IPL 1 and IPL 2	1 749	1 710
– Held at amortised cost – IPL 3	1 004	1 004
– Unsecured loans	964	854
	4 177	4 040
Short-term		
– Loans and bank overdrafts	1 215	366
– Commercial paper	2 170	2 170
	3 385	2 536
Total borrowings	7 562	6 576
Less: Current portion of interest-bearing borrowings	4 933	2 950
	2 629	3 626

25 June		2005 Rm	2004 Rm
Interest rate analysis	Effective rates		
Fixed			
– Mortgage bonds, capitalised finance leases and instalment sale creditors	3.0% – 11.0%	143	126
– Corporate bonds – IPL 1 and IPL 3	10.1% – 11.4%	1 846	1 842
– Corporate bond – IPL 2	9.78%	907	
– Unsecured loans	3.0% – 13.0%	402	384
– Commercial paper	7.6% – 8.6%	2 170	2 170
Variable linked			
– Mortgage bonds, capitalised finance leases and instalment sale creditors	4.0% – 11.0%	317	346
– Corporate bond – IPL 2			872
– Unsecured loans	2.0% – 9.5%	718	517
– Call borrowings	7.3%	1 042	278
– Bank overdrafts	2.4% – 8.25%	17	41
		7 562	6 576

See note 34 for interest rate swap arrangements.

**Listed on the Bond Exchange South Africa as IPL 1, IPL 2 and IPL 3.*

25 June		2005 Rm	2004 Rm

Note 25

INTEREST-BEARING BORROWINGS (continued)

Capitalised finance leases	More than five years Rm	One to five years Rm	Less than one year Rm	2005 Rm	2004 Rm
Total minimum lease payments	142	201	64	407	428
Less: Amounts representing finance charges	47	71	39	157	130
Present value of minimum lease payments	95	130	25	250	298

Summary of long-term borrowings by currency and by year of redemption or repayment	2010 and onwards Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm	Total Rm	2004 Rm
SA rand	1 138	31	961	341	4 285	6 756	6 052
British pound					19	19	179
Euro	62	21	33	34	67	217	115
Botswana pula					58	58	48
Australian dollar					483	483	
Other				8	21	29	182
	1 200	52	994	383	4 933	7 562	6 576

Details of encumbered assets	Debt secured		Net book value of assets encumbered	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
Property, plant and equipment	33	28	76	64
Leasing assets	251	298	358	402
Transport fleet	176	146	187	74
	460	472	621	540

25 June	2005 Rm	2004 Rm
Note 25		
INTEREST-BEARING BORROWINGS (continued)		
Borrowing facilities		
In terms of the articles of association the borrowing powers of the group are unlimited		
Total facilities established	5 479	5 488
Less: utilised for guarantees and letters of credit	440	862
	5 039	4 626
Less: Total borrowings, excluding commercial paper issues and corporate bonds	2 639	1 692
Unutilised borrowing capacity	2 400	2 934
Note 26		
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 Imperial Group Provident Fund.		
Total cost charged to the income statement	254	210

25 June	2005	2004
Note 26		
RETIREMENT BENEFIT OBLIGATIONS (continued)		
Defined benefit plans		
Imperial Logistics International GmbH & Co. KG, a subsidiary located in Germany, operates a number of unfunded defined benefit plans for its employees in Europe. Under the plans the employees are entitled to retirement benefits which are dependent on seniority, length of service and level of pay.		
The benefit obligations in Europe are provided based on actuarial valuations prepared using the Projected Unit Credit method, with the following assumptions:		
– Discount rate	5.50%	5.75%
– Projected pension payment increase	1.75%	1.75%
– Projected salary and other contribution increase	2.25%	3.00%
– Fluctuation rate	1% – 6%	1% – 8%
The latest actuarial valuation was performed as at 31 May 2005. In the opinion of the actuary, the provision for the defined benefit obligations is adequate. The next valuation will be conducted during April 2006.		

25 June	2005 Rm	2004 Rm
Note 26		
RETIREMENT BENEFIT OBLIGATIONS (continued)		
The amounts, included in staff costs, recognised in the income statement in respect of the plans are as follows:		
Current service cost	2	2
Actuarial gain		(8)
Interest costs	11	7
	13	1
The amount included in the balance sheet arising from the group's obligations are as follows:		
Present value of unfunded obligations	162	178
Movements in the net liability in the current year were as follows:		
Balance at beginning of year	178	206
Disposal of subsidiary	(29)	
Amounts utilised	(11)	
Currency adjustments	11	(29)
Amounts charged to income	13	1
Balance at end of year	162	178

25 June	2005 Rm	2004 Rm
Note 27		
DEFERRED TAXATION		
Movement of deferred tax assets and liabilities		
Balance at beginning of year	355	269
Change in accounting policy		(55)
Transferred this year	210	85
Prior year underprovisions	21	9
Tax rate adjustment	(14)	
Capital gains	31	36
Arising on acquisitions and disposals	6	
Currency movements	(4)	11
	605	355
Analysis of deferred tax assets and liabilities		
– Provisions	(198)	(143)
– Property, plant and equipment	22	30
– Leasing assets	492	266
– Transport fleet	303	244
– Vehicles for hire	23	8
– Inventories	(62)	(38)
– Taxation losses	(287)	(164)
– Capital gains	122	84
– Other	190	68
	605	355
Deferred tax comprises		
– Assets	(280)	(275)
– Liabilities	885	630
	605	355
Unused tax losses available for offset against future profits	(1 317)	(844)
Deferred tax asset recognised in respect of such losses	990	547
Remaining tax losses not recognised as deferred tax asset due to unpredictability of future profit streams	(327)	(297)

25 June	2005 Rm	2004 Rm
Note 28		
TRADE AND OTHER PAYABLES		
Trade	3 501	2 540
Other payables and accruals	4 527	2 213
Deferred income	487	244
Fair value of derivatives	24	89
	8 539	5 086
Less: Treasury stock buyback liability – disclosed separately	1 438	
	7 101	5 086

Treasury stock buy back liability

This liability arose from the purchase of treasury shares. The group entered into a scheme of arrangement in terms of section 311 of the Companies Act whereby its wholly owned subsidiary, Imperial Corporate Services (ICS) repurchased 7.25 of every 100 ordinary shares held by shareholders at a price of R96.85 per share (the Scheme of Arrangement). The Scheme of Arrangement was approved by shareholders on 6 June 2005 and sanctioned by the High Court on 14 June 2005, on which day it became binding on all the parties thereto. The financial effects of the Scheme of Arrangement were accrued in this financial year although settlement only took place on 27 June 2005, after the financial year end. On 27 June 2005 this liability was settled by the group from the proceeds received by the company on the issue of 8 319 323 preferred ordinary shares at R96.85 and 6 197 294 preferred ordinary shares at their par value. The balance was funded from internal resources.

Note 29

PROVISIONS FOR LIABILITIES AND OTHER CHARGES

Group Year ended 25 June 2005	Leave pay Rm	Bonuses Rm	Warranty and after-sales Rm	Insurance claims Rm	Other Rm	Total Rm
Balance at beginning of year	152	102	49	68	104	475
Amounts added	133	102	91	117	121	564
Unused amounts reversed	(5)	(6)	(2)	(2)	(4)	(19)
Charged to income	128	96	89	115	117	545
Amounts utilised	(108)	(79)	(56)	(67)	(57)	(367)
Subsidiaries and businesses acquired	15		2		9	26
Currency adjustments	1				2	3
Balance at end of year	188	119	84	116	175	682
Payable in less than one year						664
Payable in one to five years						7
Payable in more than five years						11
						682
Year ended 25 June 2004						
Balance at beginning of year	132	87	26	55	119	419
Amounts added	118	100	40	66	53	377
Unused amounts reversed	(3)	(3)	(5)		(7)	(18)
Charged to income	115	97	35	66	46	359
Amounts utilised	(92)	(82)	(12)	(52)	(55)	(293)
Acquisition of subsidiaries and businesses					1	1
Currency adjustments	(3)			(1)	(7)	(11)
Balance at end of year	152	102	49	68	104	475

25 June	2005 Rm	2004 Rm
Note 30		
NOTES TO THE CASH FLOW STATEMENT		
a Cash generated by operations		
Profit before net financing costs	3 637	2 698
Adjustments for non-cash movements		
– Depreciation of property, plant and equipment	266	256
– Depreciation of leasing assets, net of recoupments	655	525
– Depreciation of transport fleet, net of recoupments	286	265
– Depreciation of vehicles for hire, net of recoupments	102	137
– Amortisation of intangible assets, net of recoupments	20	85
– Profit on disposal of property, plant and equipment	(7)	(12)
– Gains on disposal of insurance investment portfolios	(83)	(22)
– (Impairment reversal) impairment of assets	(10)	64
– Fair value adjustments	(256)	45
– Net movement in insurance funds	229	275
– Increase in retirement benefit obligations	2	1
Cash generated by operations before changes in working capital	4 841	4 317
Working capital movements		
– Increase in inventories	(1 529)	(174)
– Increase in accounts receivable	(964)	(231)
– Increase in accounts payable	2 020	374
	4 368	4 286

25 June	2005 Rm	2004 Rm
Note 30		
NOTES TO THE CASH FLOW STATEMENT (continued)		
b Acquisition of subsidiaries and businesses		
Property, plant and equipment	116	17
Other intangibles	6	
Leasing assets	50	
Transport fleet	55	51
Associates	4	
Other investments and loans	167	1
Inventories	437	42
Accounts receivable	399	67
Accounts payable	(323)	(73)
Provisions	(37)	(1)
Taxation owing	(5)	
Minority interest	106	4
Deferred taxation	(1)	1
Insurance funds	(79)	
Interest-bearing borrowings	(783)	(75)
Cash and cash equivalents	28	4
Goodwill	174	122
	314	160
Less: Cash resources acquired	(28)	(4)
Cash flow on acquisition	286	156

25 June	2005 Rm	2004 Rm
Note 30		
NOTES TO THE CASH FLOW STATEMENT (continued)		
c Disposals of subsidiaries		
Property, plant and equipment	12	2
Other intangibles	6	
Transport fleet	5	
Other investments and loans	139	
Inventories	4	28
Accounts receivable	229	13
Accounts payable	(201)	(22)
Provisions	(11)	
Taxation owing	(3)	
Minority interest	(6)	
Deferred taxation	5	1
Insurance funds	(158)	
Retirement benefit obligation	(29)	
Interest-bearing borrowings	(30)	(7)
Cash and cash equivalents	68	1
Net asset value	30	16
Less: Cash resources disposed of	(68)	(1)
Profit on sale of subsidiaries and businesses	328	45
Proceeds on disposal	290	60

25 June	2005 Rm	2004 Rm
Note 30		
NOTES TO THE CASH FLOW STATEMENT (continued)		
d Net replacement capital expenditure		
Expenditure		
– Property, plant and equipment	(290)	(175)
– Leasing assets	(1 273)	(1 222)
– Transport fleet	(403)	(495)
– Vehicles for hire	(758)	(760)
– Intangibles	(24)	(13)
	(2 748)	(2 665)
Proceeds on disposals		
– Property, plant and equipment	97	87
– Leasing assets	797	1 054
– Transport fleet	261	197
– Vehicles for hire	654	622
– Intangibles	4	3
	1 813	1 963
Net		
– Property, plant and equipment	(193)	(88)
– Leasing assets	(476)	(168)
– Transport fleet	(142)	(298)
– Vehicles for hire	(104)	(138)
– Intangibles	(20)	(10)
	(935)	(702)
e Cash and cash equivalents		
Cash resources	1 043	1 261
Short-term loans and overdrafts	(3 385)	(2 536)
	(2 342)	(1 275)

25 June	2005 Rm	2004 Rm
Note 31		
COMMITMENTS		
Capital expenditure commitments to be incurred		
Contracted	506	229
Authorised by directors but not contracted	152	99
	658	328

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 Rm	One to five years Rm	Less than one year Rm	2005 Rm	2004 Rm
Property	631	916	253	1 800	1 305
Vehicles	2	89	50	141	66
Plant and equipment	1	34	14	49	37
	634	1 039	317	1 990	1 408

25 June	Company	
	2005 Rm	2004 Rm
Note 32		
CONTINGENT LIABILITIES		
Company		
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:	2 057	1 330
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	120
The company has guaranteed the obligations to investors in the commercial paper and corporate bond issues.	4 923	4 884

25 June	Group	
	2005 Rm	2004 Rm
Note 32		
CONTINGENT LIABILITIES (continued)		
Group		
Subsidiaries have entered into buyback agreements. The maximum exposure is R354 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.	354	218
A subsidiary company has guaranteed loans provided to a Driver Empowerment Scheme for a maximum of R32 million.	32	17
Time deposits have been pledged by a foreign subsidiary amounting to R11 million as security for foreign bank accounts and customs duties.	11	23
Subsidiary companies have received summons for claims amounting to R110 million. The group and its legal advisors believe that these claims are unlikely to succeed.	110	43
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.		

Note 33

OPERATING LEASE RECEIVABLES

The minimum future lease payments receivable under non-cancellable operating leases are as follows:

	More than five years Rm	One to five years Rm	Less than one year Rm	2005 Rm	2004 Rm
Leasing assets					
– Aviation leasing fleet	4	1 126	1 065	2 195	1 575
– Forklifts	10	677	338	1 025	952
– Vehicles	4	2 703	932	3 639	2 894
	18	4 506	2 335	6 859	5 421

Note 34

FINANCIAL INSTRUMENTS

Exposure to currency, interest rate, credit risk and liquidity risk arise in the normal course of business.

Derivative instruments are used by the group for hedging purposes. Such instruments used by the group are forward exchange contracts and fixed-interest rate 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.

Material forward exchange contracts which relate to specific balance sheet items at 25 June 2005 are as follows:

Foreign currency	Foreign amount (million)	Average rate	Contract value Rm	Fair value Rm
Imports				
US dollar	150	6.13	918	1 005
Euro	129	8.10	1 041	1 068
British pound	5	11.70	58	61
Japanese yen	3 945	16.47	240	249
Other			2	2
			2 259	2 385

The group has entered into certain forward exchange contracts which relate to specific foreign commitments not yet due.

The details of these contracts are as follows:

Foreign currency	Foreign amount (million)	Average rate	Contract value Rm	Fair value Rm
Imports				
US dollar	47	6.63	307	319
Euro	29	8.36	244	240
Japanese yen	1 838	16.54	111	115
			662	674

25 June	2005 Rm	2004 Rm
Uncovered foreign currency exposure	135	

Note 34

FINANCIAL INSTRUMENTS (continued)

Interest rate risk

This is the risk that fluctuations in interest rates 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 25.

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:

25 June	2005 Rm	2004 Rm
Less than one year	440	91
One to five years		834
	440	925

Credit risk

This is the risk that an asset in the form of a claim against another party may not result in the other party meeting its commitments in terms of the agreement.

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 application and account limits.

Provision for doubtful debts

Provision is made for both specific and general bad debts on trade accounts receivable. Management does 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 25.

Maturity profile of financial instruments	More than five years Rm	One to five years Rm	Less than one year Rm	Total 2005 Rm
Financial assets				
Other investments and loans	91	40	1 153	1 284
Trade and other receivables			6 164	6 164
Cash and cash equivalents			1 043	1 043
Financial liabilities				
Insurance policyholders' liabilities			16	16
Interest-bearing liabilities	1 200	1 429	4 933	7 562
Trade and other payables, provisions for liabilities and other charges	11	7	9 203	9 221

	Carrying value Rm	Fair value Rm
Note 34		
FINANCIAL INSTRUMENTS (continued)		
Fair value of financial instruments		
Financial assets		
Other investments and loans	1 284	1 284
Trade and other receivables	6 164	6 164
Cash and cash equivalents	1 043	1 043
Financial liabilities		
Financial liabilities under investment contracts	16	16
Interest-bearing liabilities	7 562	7 634
Trade and other payables, provisions for liabilities and other charges	9 221	9 221

25 June	2005 Rm	2004 Rm
Note 35		
RELATED PARTY TRANSACTIONS (continued)		
Associates, joint ventures and pension and provident funds		
Details of investments in principal associates and joint ventures are disclosed in Annexure B.		
Revenue derived from associates, joint ventures and pension and provident funds is as follows:		
Sales of goods	209	275
Rendering of services	86	45
Gross premiums	64	49
	359	369
Purchase of goods and services from associates and joint ventures	764	106

Note 35

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, a conflict of interest with regard to directors' interest in contracts does not exist.

Subsidiaries

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

Shareholders

The principal shareholders of the company are detailed in the Analysis of Shareholders schedule on page 61 of the annual report.

Certain directors have shareholdings in subsidiaries and receive dividends.

Company Income Statement

for the year ended 25 June	Notes	2005 Rm	2004 Rm
REVENUE	2	1 498	502
Net other operating income	3	230	224
Profit before net financing costs		1 728	726
Finance income			3
Profit before exceptional items		1 728	729
Exceptional items	4	(13)	7
Profit before taxation		1 715	736
Taxation	5	29	35
Net attributable profit for the year		1 686	701

Company Balance Sheet

at 25 June	Notes	2005 Rm	2004 Rm
ASSETS			
Interests in subsidiaries	7	6 109	6 684
Investments in associates and joint ventures	8	666	449
Trade and other receivables			9
Total assets		6 775	7 142
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	9	1 929	2 637
Non-distributable reserves	10	3	3
Retained earnings		4 698	4 419
Total shareholders' equity		6 630	7 059
Liabilities			
Deferred tax	11	111	82
Trade and other payables		34	
Current tax liabilities			1
Total liabilities		145	83
Total equity and liabilities		6 775	7 142

Company Statement of Changes in Equity

for the year ended 25 June	Share capital Rm	Share premium Rm	Non-distributable reserves Rm	Retained earnings Rm	Total Rm
Balance at 26 June 2003	9	2 858	3	4 021	6 891
Net attributable profit for the year				701	701
Issue of 22 755 389 deferred ordinary shares	1				1
Issue of 1 901 401 ordinary shares		74			74
Ordinary dividend of 140 cents per share in September 2003				(303)	(303)
Capital distribution of 140 cents per share in March 2004		(305)			(305)
Balance at 25 June 2004	10	2 627	3	4 419	7 059
Net attributable profit for the year				1 686	1 686
Issue of 1 268 400 ordinary shares		60			60
Purchase and cancellation of 14 532 422 treasury shares	(1)			(1 407)	(1 408)
Capital distribution of 175 cents per share in October 2004		(383)			(383)
Capital distribution of 175 cents per share in March 2005		(384)			(384)
Balance at 25 June 2005	9	1 920	3	4 698	6 630

Company Cash Flow Statement

for the year ended 25 June	Note	2005 Rm	2004 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated by operations	12	1 771	697
Finance income			3
		1 771	700
Taxation paid		1	7
		1 770	693
CASH FLOWS FROM INVESTING ACTIVITIES			
Additional investments in and loans to subsidiary and associated companies, net of disposals		574	(160)
Purchase of equities and loans advanced		(229)	
		345	(160)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		60	75
Net purchase of treasury stock		(1 408)	
Dividends paid			(303)
Capital distribution		(767)	(305)
		(2 115)	(533)

Note 1

ACCOUNTING POLICIES

Please refer to Note 1 of the Group Annual Financial Statements.

	2005 Rm	2004 Rm
Note 2		
REVENUE		
An analysis of the company's revenue is as follows:		
Dividends from subsidiaries	1 498	502
Note 3		
NET OTHER OPERATING INCOME		
Other operating income	(232)	(226)
Other operating costs	2	2
	(230)	(224)
Note 4		
EXCEPTIONAL ITEMS		
Profit on disposal of investments in subsidiaries and associates		7
Impairment of associate	(12)	
Other impairments	(1)	
	(13)	7

	2005 Rm	2004 Rm
Note 5		
TAXATION		
Taxation charge		
South African normal taxation		
– Current		1
Deferred		
– Tax rate adjustment	(3)	
– Capital gains	32	34
	29	35
Reconciliation of tax rates:	%	%
Profit before taxation, excluding exceptional items		
– effective rate	1.7	4.8
Taxation effect of:		
– Disallowable charges	(0.1)	(0.1)
– Exempt income	29.1	30.1
– Capital gains	(1.9)	(4.7)
– Tax rate adjustment	0.2	
– Prior year underprovisions		(0.1)
	29.0	30.0

Note 6

DIVIDENDS AND OTHER DISTRIBUTIONS

Refer to note 9 of the Group Annual Financial Statements.

	2005 Rm	2004 Rm
Note 7		
INTERESTS IN SUBSIDIARIES		
Shares at cost or valuation	4 965	4 661
Indebtedness by subsidiaries	1 144	2 023
	6 109	6 684

Details of the company's subsidiaries are reflected in Annexure A.

	2005 Rm	2004 Rm
Note 8		
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES		
Listed shares at cost	36	35
Impairments	(12)	
Carrying value of shares	24	35
Indebtedness by associates and joint ventures	642	414
	666	449
Valuation of shares		
Unlisted shares at cost	24	36

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

	2005 Rm	2004 Rm
Note 9		
SHARE CAPITAL AND PREMIUM		
Authorised share capital		
400 000 000 (2004: 450 000 000) ordinary shares of 4 cents each	16	18
50 000 000 (2004: 50 000 000) deferred ordinary shares of 4 cents each	2	2
49 999 000 (2004: Nil) preferred ordinary shares of 4 cents each	2	
1 000 (2004: Nil) redeemable preference shares of 4 cents each		
	20	20
Issued share capital		
205 394 949 (2004: 218 658 971) ordinary shares of 4 cents each	8	9
22 755 389 (2004: 22 755 389) deferred ordinary shares of 4 cents each	1	1
	9	10
Share premium	1 920	2 627
	1 929	2 637

Refer to note 21 of the notes to the group annual financial statements for further details regarding the deferred ordinary shares, the preferred ordinary shares, the preference shares, the share schemes and the directors' interest in share capital.

	2005 Rm	2004 Rm
Note 10		
NON-DISTRIBUTABLE RESERVES		
Realised surplus on sale of property, plant and equipment and investments	2	2
Unrealised surplus on revaluation of shares in subsidiaries	1	1
	3	3
Note 11		
DEFERRED TAX		
Movement in deferred tax		
Balance at beginning of year	82	48
Tax rate adjustment	(3)	
Capital gains	32	34
Balance at end of year	111	82
Analysis of deferred tax		
– Capital gains	111	82
Note 12		
NOTES TO THE CASH FLOW STATEMENTS		
a Cash generated by operations		
Profit before net financing costs	1 728	726
Working capital movements		
– Decrease (increase) in accounts receivable	9	(9)
– Increase (decrease) in accounts payable	34	(20)
	1 771	697

	2005 Rm	2004 Rm
Note 13		
CONTINGENT LIABILITIES		
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:	2 057	1 330
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	120
The company has guaranteed the obligations to investors in the commercial paper and corporate bond issues.	4 923	4 884

Annexure A – Interest in Principal Subsidiaries

Company	Nature of business	Interest owned directly or indirectly (%)	Ordinary shares in issue	Book value of interest – Shares at cost 2005 Rm	Shares at cost 2004 Rm	Indebtedness 2005 Rm	Indebtedness 2004 Rm
Imperial Group (Proprietary Limited	See note 2	100	165	1 779	136	603	402
Imperial Financial Holdings Limited	Banking	100	255 000 000	251	251	38	(30)
Regent Insurance Company Limited	Insurance	100	2 099 000	206	206		
Regent Life Assurance Company Limited	Life assurance	100	2 125 000	145	145		
Tourism Investment Corporation Limited	Tourism	67	830 350 304	424	424		
Anvil International Limited	See note 3	100	12 500 000	355	355		
Anvil International Finance Limited	See note 3	100	10 440	823	789	5	39
Other, including indirect interest				982	2 355	498	1 612
				4 965	4 661	1 144	2 023

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 is material for a proper appreciation of the affairs of the Group. A full list of subsidiaries and associated companies is available on request.*
2. *Business conducted by Imperial Group (Proprietary) Limited encompasses vehicle rental, motor trading, tourism, full maintenance leasing, automotive components, property investments, transportation, manufacture of motor components, toilet hire, panelbeating and group services.*
3. *These companies own and finance the majority of our offshore companies including Imperial Logistics International GmbH.*

Annexure B – Interest in Principal Associated Companies and Joint Ventures

	Carrying value 2005 Rm	Carrying value 2004 Rm	% owned 2005 %	% owned 2004 %
Imperial Bank Limited	839	786	49.9	49.9
Safair Lease Finance (Proprietary) Limited	741	652	50.0	50.0
Renault South Africa (Proprietary) Limited	143	120	49.0	49.0
ACL Aviation Limited	45	35	50.0	50.0
Ukhamba Holdings (Proprietary) Limited	31	31	46.9	46.9
Accordian Investments (Proprietary) Limited	29	8	40.0	40.0
Other	89	138		
	1 917	1 770		

Annexure C – Summary of Employment Equity Report 2005
Analysis of South African workforce only

Description	2005	2004
Total workforce:	27 640	25 386
Total employees with disabilities	36	32
Workforce profile:		
Racial and gender profile:		
Non-designated group	6 362	5 659
White females	4 239	4 067
Black males	14 006	12 863
Black females	3 033	2 797
Occupation level profile:		
Management	3 677	3 224
Non-management	23 963	22 162
Management profile by gender:		
Males	2 666	2 317
Females	1 011	907
Non-management profile by gender:		
Females	6 261	5 957
Males	17 702	16 205
Management profile by race:		
Whites	2 892	2 701
Designated groups	785	523
Non-management profile by race:		
Africans	12 052	11 295
Indians	1 408	1 373
Coloureds	2 794	2 469
Whites	7 709	7 025
Workforce movement		
Total employees brought forward	25 386	23 118
Resignations	(907)	(833)
Dismissals	(160)	(142)
Retirements	(149)	(40)
Retrenchments	(843)	(472)
Engagements	4 313	3 755
Total employees at end of year	27 640	25 386

Summary of global workforce:		
South African workforce	27 640	25 386
Non-South African workforce	5 056	4 142
Total workforce	32 696	29 528

Notice is hereby given that the seventeenth annual general meeting of shareholders will be held on Tuesday, 1 November 2005 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 2 November 2004 are hereby approved as being correct."
   These minutes will be available for inspection at the registered office of the company until 16:00 on Monday, 31 October 2005 and 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 in 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 the appointment of new directors

   "Resolved that the appointments of the following directors be hereby confirmed in terms of the articles of association by separate resolution:

   5.1 Mr P S Molefe

   5.2 Mr M V Moosa

   A brief curriculum vitae of each of the directors offering themselves for re-election is contained on page 12 of this annual report.

6. Ordinary resolution 6 – reappointment of retiring directors

   "Resolved that, as separate ordinary resolutions, the reappointments as directors of the following directors, who retire by rotation in terms of the articles of association, but being eligible, have offered themselves for re-election be authorised and confirmed by a separate resolution in respect of each reappointment:

   6.1 Mr L Boyd

   6.2 Mr V J Mokoena

   6.3 Mr E Molobi

   6.4 Mr M V Sisulu

   A brief curriculum vitae of each of the directors offering themselves for re-election is contained on page 12 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 Limited (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; 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.

   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;
   - the consolidated assets of the company and the group, fairly valued in accordance with Generally Accepted Accounting Practice, will exceed its consolidated liabilities;
   - the issued share capital of the company and the group will be adequate for the purpose of the business of the company and the group for the foreseeable future; and
   - the working capital available to the company and the group will be sufficient for the company and the group's requirements for the foreseeable future."

   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 Companies Act, 61 of 1973, as amended (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 requirements of the Act and the JSE Limited, 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 2005 as follows:

– Board	from R95 000 to R103 000;
– Deputy chairman	from R95 000 to R125 000;
– Audit committee	from R44 000 to R50 000;
– Risk committee	from R21 000 to R40 000;
– Remuneration and nomination committee	from R30 000 to R32 000.

Chairmen of the board and committees receive twice the fee payable to a member.

9. Ordinary resolution number 9 – approval of share schemes

9.1 Executive Share purchase scheme

"Resolved that the Executive Share Purchase Scheme as detailed in the annexure to this notice and tabled at the meeting, be and is hereby approved and adopted."

9.2 Imperial Bonus Right Scheme

"Resolved that the Imperial Bonus Right Scheme as detailed in the annexure to this notice and tabled at the meeting, be and is hereby approved and adopted."

10. Special resolution 1 – general authority to repurchase company shares

"Resolved that the company, or a subsidiary of the company, be and is hereby authorised, by way of a general authority, to acquire ordinary shares of 4 cents each ("ordinary shares") issued by the company (including the conclusion of derivative transactions which may result in the purchase of shares), in terms of sections 85 and 89 of the Companies Act, No 61 of 1973 (as amended), and in terms of the Listings Requirements of the JSE Limited it being recorded that the Listings Requirements currently require, *inter alia,* that the company may make a general repurchase of securities only if:

- any such repurchase of ordinary shares is effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);
- authorised by the company's articles of association;
- the general authority shall be valid until the next annual general meeting of the company, provided that it shall not extend beyond 15 months from the 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 only undertake a repurchase of securities if, after such repurchase, it still complies with shareholder spread requirements;
- the company or its subsidiary does not repurchase securities during a prohibited period;
- 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 which will result in the accumulated rand value of the repurchases from the date of the last authority being greater than 10% of the shareholders' equity at the date that the authority was obtained; or
- it repurchases securities and the financial position of the group has changed materially from the date when the sponsor first issued its written confirmation, in order for the sponsor to review the validity of its letter issued when the general authority was granted.

The company will only transact in derivative transactions relating to the repurchase of securities if, with regard to the price of the derivative:

(i) 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;

(ii) 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

(iii) 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 to pay its debts as they become due in the ordinary course of business;
- the consolidated assets of the company and the group, fairly valued in accordance with Generally Accepted Accounting Practice, will exceed its consolidated liabilities;
- the issued share capital of the company and the group will be adequate for the purpose of the business of the company and the group for the foreseeable future; and
- the working capital available to the company and the group will be sufficient for the company and the group's requirements for the foreseeable future."

Reason and effect

The reason for and effect of special resolution number 1 is to grant the board of directors of the company a general authority in terms of the Companies Act, 61 of 1973, as amended (the Act) for the acquisition by the company or any subsidiary, of the company's ordinary shares. Such general authority will provide the board with the flexibility, subject to the requirements of the Act and the JSE Limited, to repurchase the company's shares should it be in the interest of the company at any time while the general authority exists. This 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. For the purposes of considering special resolution number 1 and in compliance with paragraph 11.26 of the Listings Requirements, the information listed below has been included in the annual report, in which this notice of annual general meeting is included, at the places indicated:

Directors and management of the company can be found on page 152 of this report;

Major shareholders of the company can be found on page 61 of this report;

Directors' interest in the company can be found on page 121 of this report;

Share capital of the company can be found on page 118 of this report.

The directors, whose names are set out on pages 12 and 13 of this report, collectively and individually accept full responsibility for the accuracy of the information contained in this special resolution 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 resolution number 1 and ordinary resolution number 7 until such time as the sponsor's letter has been lodged with the listings division of the JSE.

11. Special resolution 2 – amendment of the articles of association – directors' retirement age

Resolved that the articles of association be amended by the addition of the following article:

Article 36.3

36.3 A director shall retire on the date of the annual general meeting in the year that that director reaches the age of 70 years, provided that any director reaching the age of 70 years shall be obliged to stand for re-election at the annual general meeting on an annual basis thereafter.

Reason and effect

The reason and effect of special resolution number 2 is to amend the articles of association in order to provide that directors retire at the age of 70 but may remain on the board for as long as they are re-elected at subsequent annual general meetings.

12. Special resolution number 3 – amendment of the articles of association to provide for electronic communication

Resolved that the articles of association be amended by the addition of the following articles:

Article 57

57 USE OF ELECTRONIC MEDIA

57.1 Interpretation

57.1.1 Notwithstanding any contrary provisions in the memorandum and articles, this article 57 shall apply, subject to the Act and the Listings Requirements of the JSE Limited.

57.1.2 In this article, the following terms shall have the following meanings:

57.1.2.1 Electronic communication means communication by electronic medium;

57.1.2.2 Electronic medium means a method of electronic communication which includes but is not limited to, facsimile, electronic data message (including but not limited to e-mail), bulletin board communications, internet websites, hypertext mark-up language (html) or similar text displayed via a web browser; electronic data interchange (EDI), CD ROM and computer network communications;

57.1.2.3 Proxy system means an electronic medium based system, approved by the board, providing for members to appoint a proxy and/or deliver the electronic proxy to the company via an electronic medium;

57.1.2.4 Shareholder information includes but is not limited to notices (including but not limited to notices required in terms of the articles of association and the JSE Listings Requirements), forms of proxy, circulars required in terms of the JSE Listings Requirements, annual financial statements, group reports, annual reports and interim reports, and any other document which is determined by the board to be shareholder information.

57.2 Electronic medium

57.2.1 The company may send shareholder information by electronic medium and whenever the memorandum and articles deals with notification by the company, it shall be sufficient for the company, subject to the provisions of article 57.2.2, to effect service by electronic medium without the requirement to effect service by any other means.

57.2.2 The provisions of this article 57.2 shall only apply to such members who have consented in writing in such format as approved by the JSE, to communication by electronic medium. Notwithstanding the aforegoing, a member may, on notification to the company by registered mail:

57.2.2.1 Withdraw their consent electronic medium notification and require paper-based notification in accordance with the remainder of the provisions of the Memorandum and Articles; or

57.2.2.2 request paper-based notification over and above electronic medium notification, provided that in such instance electronic medium notification shall nevertheless be the only notification to be considered for purposes of compliance with the memorandum and articles.

57.2.3 Unless clearly inconsistent with the provisions of this article 57, reference elsewhere in the memorandum and articles to notification by "mail" or "post" or words of similar effect shall, subject at all times to the provisions of article 57, also include Electronic Medium notification.

57.2.4 A Shareholder Information sent by Electronic Medium shall be deemed to have been served on the member on the day of having been sent to the appropriate address provided by the member, as evidenced by the relevant message logs of the company or its agent.

57.3 Electronic proxies

57.3.1 Electronic proxies from members shall only be permitted if approved by the Board on such terms and conditions and via a proxy system approved by the Board.

57.3.2 a proxy issued or submitted via a proxy system shall for all intents and purposes be treated similar to a paper-based proxy issued or submitted otherwise than in electronic form.

57.3.3 Insofar as the memorandum and articles or applicable laws require proxies to be signed, such requirement shall be met in all respects in accordance with the provisions of article 57.4.

57.3.4 Insofar as the memorandum and articles or applicable laws require proxies to be submitted to or otherwise filed with the company, such requirements shall be met if, in the sole opinion of the board, the proxy system is capable of satisfying the requirements of article 57.7.

57.4 Signatures

Whenever the memorandum and articles, the JSE Listings Requirements or applicable law requires a signature of a member or other person, that requirement shall be met if a method is used to identify that person and to indicate that person's approval of the information contained in the electronic communication.

57.5 Writing

Whenever the memorandum and articles, the JSE Listings Requirements or applicable law requires information to be in writing, that requirement shall be met if the information contained therein is accessible so far as to be usable for subsequent reference.

57.6 Original

57.6.1 Whenever the memorandum and articles, the JSE Listings Requirements or applicable law requires information to be presented or retained in its original form, that requirement shall be met by and electronic communication if:

57.6.1.1 There exists a reasonable assurance as to the integrity of the information from the time when it was first generated in its final form, as an electronic communication or otherwise; and

57.6.1.2 Where it is required that information be presented, that information is capable of being displayed to the person to whom it is to be presented.

57.7 Record retention

Where the memorandum and articles, the JSE Listings Requirements or applicable law requires that certain documents, records or information be retained, that requirement shall be met by retaining the original electronic communications.

Reason and effect

The reason and effect of special resolution number 3 is to amend the articles of association in order to enable the company to deliver notices and company communications to shareholders electronically.

13. 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 shareholder 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 their CSDP or broker of their intention to attend the general meeting and obtain the necessary letter of representation 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) Limited, by no later than 09:00 on Friday, 28 October 2005.

By order of the board

R A VENTER

Company secretary

Johannesburg 23 August 2005

INTRODUCTION

1.1 The company wishes to provide its senior employees and executives (collectively referred to as the Executives) with competitive long term incentive packages that strongly align their interests with those of shareholders. At the same time the company wishes to minimise the cost and dilution impacts on shareholders as a result of the proposed share incentive schemes.

1.2 The remuneration committee believes that the Executives should be motivated to achieve performance superior to the company's competitors and to deliver sustainable improvements in shareholder value. The remuneration committee wishes to ensure that suitable arrangements are in place to enable the company to recruit, retain and motivate the high calibre executives needed to take the company forward and to create substantial value for shareholders.

1.3 Based on the above requirements and as a result of recent developments in accounting standards, changes to taxation legislation and best practice in share scheme design, the existing share incentive schemes no longer meet their desired objectives and therefore the directors of the company have proposed two new share incentive schemes namely the Imperial Bonus Right Scheme and the Imperial Executive Share Purchase Scheme (collectively referred to as the New Schemes) to be submitted to the members for approval at the annual general meeting. Ordinary resolution 9 in the accompanying notice of annual general meeting deals with the approval of the New Schemes.

1.4 After thorough consideration of various alternatives the remuneration committee and the board have concluded that the New Schemes best meet the company's objectives which are set out in 1.1 and 1.2 above and 1.5, 1.6 and 1.7 below.

1.5 The objective of the Executive Share Purchase Scheme is to align shareholders and executives interests by ensuring that the executive faces a similar risk profile to that of shareholders, including interest on funds borrowed to acquire shares as well as potential downside risk.

1.6 The objective of the Imperial Bonus Right Scheme is to incentivise employees by paying a longer term bonus, linked to share price appreciation with which the employee is require to purchase Imperial shares. The Imperial Bonus Right Scheme will be linked to stretching performance targets and the ultimate quantum of the bonus (if any) will depend on the level of achievement of the set performance targets.

1.7 The New Schemes are heavily weighted towards the Executive Share Purchase Scheme. The rationale being:

1.7.1 the costs to the company and shareholders in terms of dilution and IFRS 2 are significantly lower under the Executive Share Purchase Scheme; and

1.7.2 the shareholders and Executives interests are significantly better aligned.

1.8 Where possible it is the preference of the company to use existing shares in the market to satisfy the obligations of the New Schemes and thus the New Schemes should have a lower dilution effect on shareholders.

1.9 The company will establish a share trust that will be used to facilitate the acquisition of shares to be held for the purposes of the Executive Share Purchase Scheme, to the extent permitted by Section 38(2)(b) of the Companies Act, 1973 and the Listings Requirements of the JSE Limited.

1.10 Details of the main terms of the New Schemes are set out below.

1.11 The rules of the proposed New Schemes will be available for inspection at the general meeting and at the registered office of the company during usual business hours on any weekday (excluding public holidays) from the date of this report to the date of the general meeting.

1.12 The remuneration policies followed by the company are described in the Remuneration Report on pages 90 to 93 of this report.

SALIENT TERMS OF IMPERIAL BONUS RIGHT SCHEME

1. Definitions

For the purposes of these salient terms, the following terms shall have the following meanings:

1.1.1 "age retirement" means the voluntary retirement by a participant from the employ of any company in the group at any time after having attained the age of 60 years;

1.1.2 "bonus" means a bonus payable in cash by a participating company to a participant;

1.1.3 "bonus right" means an offer made by a participating company to an eligible applicant in terms of the scheme to receive a cash bonus on, and subject to the terms set out in the scheme;

1.1.4 "the bonus payment date" means 14 days after the publication of the annual financial results of Imperial in respect of the financial year ending on the expiry date, provided that, should the bonus payment date fall within a closed period, it shall be extended so as to expire three days after the end of such closed period;

1.1.5 "closed period" means a period of time during which participants may not trade in Imperial shares by virtue of any law or in terms of the Listings Requirements or any corporate governance practice to which Imperial subscribes;

1.1.6 "commencement date" means the date specified as such in an offer to an eligible applicant of a bonus right which shall correspond with the beginning of a financial year;

1.1.7 "the designated shares" means the number of notional Imperial shares to which a bonus right is linked;

1.1.8 “eligible applicant” means a person eligible for participation in the scheme, namely any senior employee with significant managerial or other responsibility, including any director holding salaried employment or office, of any participating company, as determined from time to time by any participating company in its absolute discretion, provided that no such determination may be made by any participating company in respect of any of its employees, except with the approval of the board;

1.1.9 “financial year” means a financial year of Imperial;

1.1.10 “the expiry date” means the expiry date specified in 3.5;

1.1.11 “fair market value” of an Imperial share or a notional Imperial share, as the case may be, means the volume weighted average price per share for trades in Imperial shares made on the JSE calculated over the 30 trading days preceding:

1.1.11.1 the commencement date; or

1.1.11.2 the expiry date

as the case may be;

1.1.12 “the group” means Imperial, its subsidiaries and associated companies from time to time;

1.1.13 “ill-health retirement” means retirement by a participant from the employ of any company in the group for reasons of ill-health as contemplated within the rules of the group’s disability protection policy and group life assurance scheme (or any successor policy or scheme);

1.1.14 “Imperial” means Imperial Holdings Limited (registration number 1946/021048/06);

1.1.15 “Imperial shares” means ordinary shares of a par value of 4 cents each in the capital of Imperial;

1.1.16 “JSE” means JSE Limited, a company duly registered and incorporated with limited liability according to the laws of the Republic of South Africa under registration number 2005/022939/06 and listed as an exchange in terms of the Securities Services Act 36 of 2004;

1.1.17 “the Listings Requirements” means the Listings Requirements of the JSE;

1.1.18 “notional Imperial shares” means the number of notional Imperial shares specified in each bonus right based on which the bonus will be calculated;

1.1.19 “offer date” means the date on which an offer of a bonus right is made by a participating company to an eligible applicant, which may occur at any time between 26 June and 30 September of each year, provided that any offer of a bonus right which has as its commencement date 26 June 2005 may have, as its offer date, any date prior to 25 December 2005;

1.1.20 “participant” means an eligible applicant who has accepted a bonus right, including his heirs, executors or administrators;

1.1.21 “participating companies” means each of Imperial, the subsidiaries and associated companies listed in Schedule 1 to the scheme, and any other subsidiaries and associated companies which may become parties to the agreement and “participating company” shall mean any one of them;

1.1.22 “performance criteria” means any performance or other criteria of whatsoever nature determined by the board from time to time, and specified as a term of a bonus right, which are required to be met, failing which any bonus granted subject to such performance criteria may be reduced or eliminated in its entirety;

1.1.23 “retrenchment” means termination of the employment of a participant by any company in the group for operational reasons as contemplated in the Labour Relations Act No. 66 of 1995;

1.1.24 “the scheme” means the scheme to enable eligible applicants to be eligible to receive a bonus from a participating company through an offer of a bonus right.

2. Purpose

The objective of the scheme is to attract, retain and motivate key employees of the group who are able to influence, or play a significant role in the performance of the group over the long term.

3. Outline of the scheme

3.1 The parties to the agreement are the participating companies.

3.2 In terms of the scheme, eligible applicants will be afforded the right to participate in the scheme by being offered the right to receive a cash bonus from a participating company.

3.3 The bonus right will be exercisable within 14 days of the offer date, will commence on the commencement date and will endure until the expiry date.

3.4 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 designated shares, but subject to 3.7.

3.5 The expiry date will be a period of four years from the commencement date, provided that if the fair market value of the designated shares as at the end of the four year period is less than their fair market value as at the commencement date, the expiry date will be the 5th anniversary of the commencement date, provided further, that if the fair market value as at that date is less than the fair market value as at the commencement date, the expiry date will be the 6th anniversary of the commencement date.

3.6 If the fair market value at the expiry date, being the 6th anniversary of the commencement date, is less than the fair market value at the commencement date, no bonus will be payable.

3.7 The quantum of the bonus will also be dependent on the performance criteria.

3.8 Payment of the bonus will be made on the bonus payment date.

3.9 Each participant will, in terms of existing income tax legislation, be liable for payment of the income tax on the bonus received by him.

3.10 Save with the approval of a general meeting of the shareholders of Imperial, the aggregate number of notional Imperial shares linked to bonus rights of participants under the scheme, shall not exceed, whichever is the lesser of 900 000 notional Imperial shares and the number which is equivalent to 2% of Imperial's issued ordinary shares at any relevant time.

4. Bonus rights

4.1 Any participating company may, with the approval of the board of Imperial, offer eligible applicants bonus rights.

4.2 A bonus right in respect of any eligible applicant, shall:

4.2.1 be linked to a maximum of 18 000 notional Imperial shares;

4.2.2 specify the number of designated shares;

4.2.3 specify the offer date, the commencement date and the fair market value of the designated shares as at the commencement date;

4.2.4 specify the performance criteria.

4.3 A bonus right shall be accepted within 14 business days of the offer date.

4.4 A bonus right accepted shall be deemed to have been cancelled and forfeited:

4.4.1 upon a participant ceasing, prior to the expiry date, to be employed by any company in the group for whatever reason, including retirement and retrenchment, but excluding age retirement, ill-health retirement and death;

4.4.2 upon, prior to the expiry date, the voluntary surrender by an eligible applicant of his estate or his estate being otherwise sequestrated or upon any attachment of any interest of an eligible applicant under the scheme and the board passing a resolution to that effect.

5. Terms of bonus right

5.1 Payment of the bonus shall be made by the participating company concerned to the participant in cash on the bonus payment date.

5.2 Subject to 5.3, the participant shall apply the total bonus, at the election of Imperial:

5.2.1 to subscribe for Imperial shares ("the specified shares") at the closing price as at the bonus payment date; and/or

5.2.2 to purchase Imperial shares on the JSE at the best price at which Imperial shares can be so acquired within the three day period commencing on the bonus payment date.

5.3 Imperial may waive the requirement referred to in 5.2.

5.4 In the event of any sub-division or consolidation of Imperial shares, or any reduction of the ordinary share capital of Imperial ("adjustment events"), the number of designated shares shall be adjusted appropriately.

6. Taxation

Any tax liability of the participant arising from the operation of the scheme shall be the sole responsibility of the participant concerned and shall be for his account.

SALIENT TERMS OF IMPERIAL EXECUTIVE SHARE PURCHASE SCHEME

1. Definitions

For the purposes of these salient terms, the following terms shall have the following meanings:

1.1 "age retirement" means the voluntary retirement by a participant from the employ of any company in the group at any time after having attained the age of 60 years;

1.2 "allocation price" means the price per share payable by a participant in terms of the scheme for allocation shares, being the fair market value thereof as at the offer date;

1.3 "allocation shares" means shares acquired by a participant pursuant to the exercise of a right and option;

1.4 "associated company" means any company in which Imperial has a direct or indirect shareholding of not less than 20%;

1.5 "base rate" means the lesser of:

1.5.1 the average rate of interest payable by the company from time to time, in respect of moneys lent and advanced to it, or if there are no borrowings by the company at any time, the average rate of interest earned by the company on moneys invested by it on 24 hours' call with registered commercial banks, calculated on a monthly basis, nominal annual compounded monthly, as certified by the chief financial officer of the company which certification shall in the absence of manifest error be *prima facie* proof of the amount; and

1.5.2 11% per annum, nominal annual compounded monthly;

1.6 "the board" means the board of directors of the company acting either itself or through any committee constituted from time to time and appointed by it for the purpose of administering the scheme, it being recorded, that the board has, as at the date of the conclusion of this agreement, appointed the executive committee of the company for that purpose;

1.7 "the company" means Imperial Holdings Limited (Registration No. 1946/021048/06);

1.8 "CPIX" means the average annual rate of change (expressed as a percentage) in the Consumer Price Index, excluding interest rates on mortgage bonds, for metropolitan areas as published in the Government Gazette by Statistics South Africa, or such other index reflecting the official rate of inflation in the Republic of South Africa as may replace it, which annual change shall be determined by comparing the most-recently published index with the index published in respect of the corresponding month in the previous year;

1.9 "date of termination of employment" means the earlier of:

1.9.1 the date upon which the contract of employment of a participant with a company in the group is terminated; and

1.9.2 the date of retirement;

otherwise than age retirement, ill-health retirement, retrenchment or death of a participant;

1.10 "the delivery date" means the first business day after the date of the exercise of a right and option;

1.11 "eligible applicant" means a person eligible for participation in the scheme, namely any senior employee with significant managerial or other responsibility, including any director holding salaried employment or office, of any company in the group, as determined from time to time by the board in its absolute discretion;

1.12 "the expiry date" means the expiry date specified in 9.3;

1.13 "fair market value" as at a specified date means the volume weighted average price per share for trades in the shares made on the JSE calculated over the five trading days preceding:

1.13.1 the offer date; or

1.13.2 the expiry date in respect of any participant;

as the case may be, provided that if there are no trades at all in the shares during that period, the calculation shall be performed in respect of the last trading day during which trades in the shares were made;

1.14 "the group" means the company, its subsidiaries and associated companies from time to time;

1.15 "ill-health retirement" means retirement by a participant from the employ of any company in the group for reasons of ill-health as contemplated within the rules of the group's disability protection policy and group life assurance scheme (or any successor policy or scheme);

1.16 "offer date" means the date of an offer to an eligible applicant to acquire a right and option;

1.17 "participant" means an eligible applicant who has exercised a right and option;

1.18 "retirement" means retirement by a participant from the employ of any company in the group, provided that a participant who ceases to be employed by a company in the group on the basis that he is immediately thereafter employed by any other company of the group shall be deemed, for the purposes of this scheme only, not to have terminated his employment;

1.19 "retrenchment" means termination of the employment of a participant by any company in the group for operational reasons as contemplated in the Labour Relations Act No. 66 of 1995;

1.20 "right and option" means a right and option granted to an eligible applicant in terms of the scheme to acquire allocation shares on the terms set out in the scheme;

1.21 "the scheme" means the scheme to enable eligible applicants to acquire shares in the company through a grant of a right and option, the terms of which are embodied in the trust deed in respect of the scheme;

1.22 "scheme capitalisation shares" means shares allotted and issued to a participant by way of capitalisation of profits, share premium or reserves in respect of his holding of scheme shares;

1.23 "scheme shares" means shares acquired by a participant in terms of this scheme including:

1.23.1 allocation shares;

1.23.2 scheme capitalisation shares;

1.23.3 shares or other securities in the company or in any other company allotted, issued or transferred by way of exchange for scheme shares pursuant to any conversion or redemption of shares in accordance with the company's articles of association for so long as those shares or securities remain subject to the pledge;

1.24 "shares" means ordinary shares of a par value of four cents each in the capital of the company;

1.25 "share debt" means the amount from time to time, per allocation share, owing by a participant to the trust in respect of the acquisition by him of his allocation shares, which amount shall be increased, in each case and in regard to each participant, by such amounts which may become payable by the participant in question in respect of the interest liability incurred from time to time by a participant on any amount owing to the trust in terms of this scheme;

1.26 "subsidiaries" means the subsidiaries of the company as defined in the Act;

2. Purpose

The objective of the scheme is to attract, retain and motivate key employees of the group who are able to influence, or play a significant role in the performance of the group over the long term.

3. Trustees

3.1 There shall at all times be not less than two trustees in office.

3.2 Executive directors may not be appointed as trustees.

3.3 Trustees may not be participants.

3.4 The trustees shall elect one of their number to act as chairman for the purpose of meetings of trustees and for all other purposes that a chairman may be required in terms of the trust deed.

3.5 All decisions of the trustees shall be taken by a simple majority vote, provided that if for whatever reason:

3.5.1 there is no majority of votes, the chairman referred to in 3.4 shall have a casting vote;

3.5.2 there are only two trustees in office, neither of whom are the chairman referred to in 3.4, decisions of the trustees shall be taken unanimously.

3.6 The trustees shall have all the general powers that are required to enable them to carry out and give effect to the scheme.

4. Acquisition of shares by the trustees

4.1 The trustees shall for the purposes of the scheme purchase or subscribe for, or be given rights to purchase or subscribe for such numbers of shares at such prices as may be agreed upon from time to time by the trustees and the board, which shall be not materially less than the fair market value at the date of acquisition.

4.2 The maximum number of shares that may be issued to or acquired by the trust shall not exceed 4 500 000 in aggregate.

5. Maximum number of shares which may be acquired by participants

5.1 The prior authority of the shareholders of the company in general meeting shall be required if the aggregate number of shares which may be acquired by participants under this scheme is to exceed, whichever is the lesser of:

5.1.1 4 500 000 shares; and

5.1.2 5% of the company's issued ordinary share capital at any time.

5.2 The aggregate number of shares that may be acquired by any one participant in terms of this scheme shall not exceed the number referred to in 7.2.1.

6. Funding

The purchase or subscription price of shares acquired in terms of 4 and all costs associated therewith shall be met out of the trust's own resources and/or loans to be made to the trust by any companies of the group in accordance with the provisions of section 38(2)(b) of the Act.

7. Rights and options

7.1 The trustees shall, if the board so directs, offer eligible applicants the opportunity to acquire rights and options on the terms set out below.

7.2 A right and option shall:

7.2.1 in respect of any eligible applicant, not exceed 90 000 shares;

7.2.2 be exercisable within two business days.

8. Terms of sale

8.1 On the exercise of a right and option, a sale shall be deemed to be concluded between the trust and the participant on the following terms:

8.1.1 the allocation shares shall be acquired by the participant at the allocation price;

8.1.2 on the delivery date:

8.1.2.1 delivery of the allocation shares shall be given to the trustees on behalf of the participant against payment by the trust on behalf of the participant, in the manner provided in 9.1, of the full allocation price, which allocation shares shall then be held by the trustees in terms of the pledge, as provided in 8.2;

8.1.2.2 ownership and the risk and benefit, including voting rights in respect of the allocation shares passes to the participant.

8.2 As against delivery of the allocation shares to the participant, he shall be deemed to have pledged the allocation shares to the trust in terms of 12.

8.3 There shall be no restriction on the sale by any participant of his scheme shares, provided, however, that on the disposal of any scheme shares, the participant shall be required to discharge his share debt in respect of such scheme shares as provided in 9.2.

9. Payment for scheme shares

9.1 The trust shall fund the acquisition of scheme shares by a participant which amount shall form part of the participant's share debt.

9.2 Payment of the share debt shall be made by the participant to the trust by no later than the expiry date.

9.3 Subject to 10, the expiry date shall be a period of 10 years from the offer date, provided that:

9.3.1 in the event of ill-health retirement or the death of a participant, the expiry date shall occur on whichever date is the earlier of the fifth anniversary of the date of ill-health retirement or death of the participant, as the case may be, and the tenth anniversary of the offer date, unless the board determines a longer period in its absolute discretion in respect of the participant concerned;

9.3.2 in the event of the termination of a participant's employment with any company of the group prior to the tenth anniversary of the offer date, the expiry date shall occur on the date of termination of employment;

9.3.3 if a participant elects to dispose of his allocation shares or any portion thereof prior to the tenth anniversary of the offer date, the expiry date in respect of the allocation shares so disposed of, shall occur seven days after the date of such disposal, unless the participant elects an earlier date on written notice to the trustees.

9.4 If the share debt is not paid within 21 days of the expiry date after receipt of written demand, the trustee shall be entitled:

9.4.1 to cancel the sale and claim damages; or

9.4.2 to claim specific performance.

9.5 All dividends accruing to the participant in respect of scheme shares shall be paid to the trustees in reduction of the participant's share debt.

10. Extension of the expiry date

10.1 The board (which for the purposes hereof shall not include any committee of the board) may, by passing a resolution to that effect, extend the expiry date (except in event of the termination of a participant's employment with any company of the group in the circumstances contemplated in 1.9.1 and 1.9.2), from time to time, for further periods, not exceeding, in all, five years, to the extent necessary, if, in the exercise of its discretion, the board considers that such an extension is warranted, having regard to the purpose of the scheme referred to in 2, including, but without limiting the generality, if the disposal of allocation shares by any participant concerned at the expiry date, in the absence of such extension, is likely to cause hardship or prejudice to the participant which may in turn impact negatively on the interests of the group.

10.2 Without derogating from the provisions of 10.1, if, as at the expiry date, (except in the circumstances contemplated in 1.9.1 and 1.9.2), the total share debt exceeds the fair market value of the unpaid allocation shares as at that date and the board has not extended the expiry date in terms of 10.1 by not less than two years, a participant may require the expiry date to be extended for a further period, not exceeding two years and, failing agreement by the trustees on the extension requested, the expiry date shall be so extended if an independent and reputable merchant bank or other expert determines that the fair market value as at that date, is attributable to adverse economic or other factors which are of universal application in South Africa or of general application with regard to any sector or sectors of the economy and/or the JSE at the time, and not specifically or directly related to the company or its performance.

11. Interest

11.1 A participant's share debt shall bear interest on the balance thereof from time to time outstanding, at a formula determined rate, which interest shall be capitalised to, and form part of that participant's share debt.

11.2 If the total share debt at the expiry date exceeds the fair market value of the pledged shares as at that date ("the excess"), the interest payable shall abate by whichever amount is the lesser of:

11.2.1 the excess; and

11.2.2 the difference, if any, between the interest computed in terms of the formula and such interest computed applying the base rate (which is the lesser of 11% and the average rate of interest payable by the company in respect of its borrowings).

11.3 The board shall be entitled, on written notice to the trustees,:

11.3.1 to increase the base rate at any time in respect of rights and options which have not been granted by the trustees as at the date of any such notice;

11.3.2 if the board is of the view that the participant will otherwise suffer undue hardship, to reduce the base rate for the purposes of the computation in terms of 11.2.2, with effect from the date of such notice, by a maximum of 50%, or by a greater percentage with the prior approval of the shareholders of the company in general meeting.

12. Pledge

The scheme shares of each participant shall be pledged to the trustees as security for his share debt.

13. Taxation

Any tax liability arising from the operation of the scheme shall be the sole responsibility of the participant concerned and shall be for his account.

Corporate Information

Directors

Non-executive

L Boyd *Chairman**, C Eng F.I.M. (UK)
P L Erasmus*
P Langeni*, BCom (Accounting)
M J Leeming*, BCom, MCom, FCMA, FIBSA, AMP
J R McAlpine*, BSc, CA
P J Molefe, PhD (Hon)
V J Mokoena BA
E Molobi, BA
M V Moosa, BSc
M V Sisulu MA MPA
A Tugendhaft, BA, LLB
Y Waja, BCom, CA(SA)

Executive

W G Lynch (Irish)
R J Boëttger BAcc (Hons) CA(SA)
M P de Canha
R L Hiemstra BCompt (Hons), CA(SA)
A H Mahomed BCompt (Hons), CA(SA) H Dip Tax
G W Riemann (German)
C E Scott

**Independent*

Executive committee

W G Lynch, O S Arbee, T P Bantock, R J Boëttger, H R Brody, M P de Canha, R L Hiemstra, W S Hill, N Hoosen, A H Mahomed, C E Scott

Audit committee

M J Leeming (Chairman), A Tugendhaft, Y Waja

Remuneration and Nomination Committee

L Boyd (Chairman), M J Leeming, J R McAlpine, E Molobi, A Tugendhaft

Risk Committee

A Tugendhaft (Chairman), R J Boëttger, R L Hiemstra, V J Mokoena

Assets and Liabilities Committee

H R Brody (Chairman), R L Hiemstra, M J Leeming, W G Lynch, A H Mahomed, R Mumford, W F Reitsma

Company Secretary

R A Venter BCom, LLM

Group Internal Audit Executive

E Clarke BCom, CA(SA)

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

Registration number

1946/021048/06

Share transfer secretaries

Computershare Investor Services 2004 (Pty) Ltd
70 Marshall Street
Johannesburg
2001

PO Box 61051
Marshalltown
2107
Telephone +27 (0)11 370 5000
Facsimile +27 (0)11 370 5487

Contact person for sustainability

R A Venter
Telephone +27 (0)11 372-6507
Email rventer@ih.co.za

Website

www.imperial.co.za

Email

mail@imperial.co.za

JSE Limited information

Imperial
Code IPL
ISIN ZAE 000067211

Shareholders Diary

Annual General Meeting 1 November 2005
Interim Results released February 2006
Interim Distribution April 2006
Final Results released August 2006
Final Distribution October 2006

IMPERIAL HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1946/021048/06)
Share code: IPL
ISIN: ZAE000067210

FORM OF PROXY

If you are a dematerialised shareholder, other than with "own name" registration, do not use this form. Dematerialised shareholders, other than with "own name" registration, should provide instructions 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, on Tuesday, 1 November 2005 at 09:00, 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 Friday, 28 October 2005.

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/us on my/our behalf at the abovementioned meeting (and any adjournment thereof) to be held at 09:00 on Tuesday, 1 November 2005 at Imperial Place, Jeppe Quondam, 79 Boeing Road East, Bedfordview, for the purpose of considering and, if deemed fit, passing with or without modification, the following resolutions to be considered at such meeting:

	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 – General authority			
5. Ordinary resolution 5.1 – Confirmation P S Molefe			
Ordinary resolution 5.2 – Confirmation M V Moosa			
6. Ordinary resolution 6.1 – Re-appointment L Boyd			
Ordinary resolution 6.2 – Re-appointment V J Mokoena			
Ordinary resolution 6.3 – Re-appointment E Molobi			
Ordinary resolution 6.4 – Re-appointment M V Sisulu			
7. Ordinary resolution 7 – Capital distribution			
8 Ordinary resolution 8 – Directors' fees			
9. Ordinary resolution 9.1 – Executive Share purchase scheme			
Ordinary resolution 9.2 – Imperial Bonus Right Scheme			
10. Special resolution 1 – Authority to repurchase shares			
11. Special resolution 2 – Amendment of articles – Directors retirement age			
12. Special resolution 3 – Amendment of articles – Elecronic media			

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 ______________ 2005

Signature ______________________________

Assisted by (where applicable) ______________________________

Notes to form of proxy

NOTES

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the meeting", but any such deletion must be initialled by the shareholder. The person whose name appears first on the proxy and which has not been deleted shall be entitled to act as proxy to the exclusion of those whose names follow.
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 Friday, 28 October 2004.
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.