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Imperial Holdings Limited Annual Report 2006

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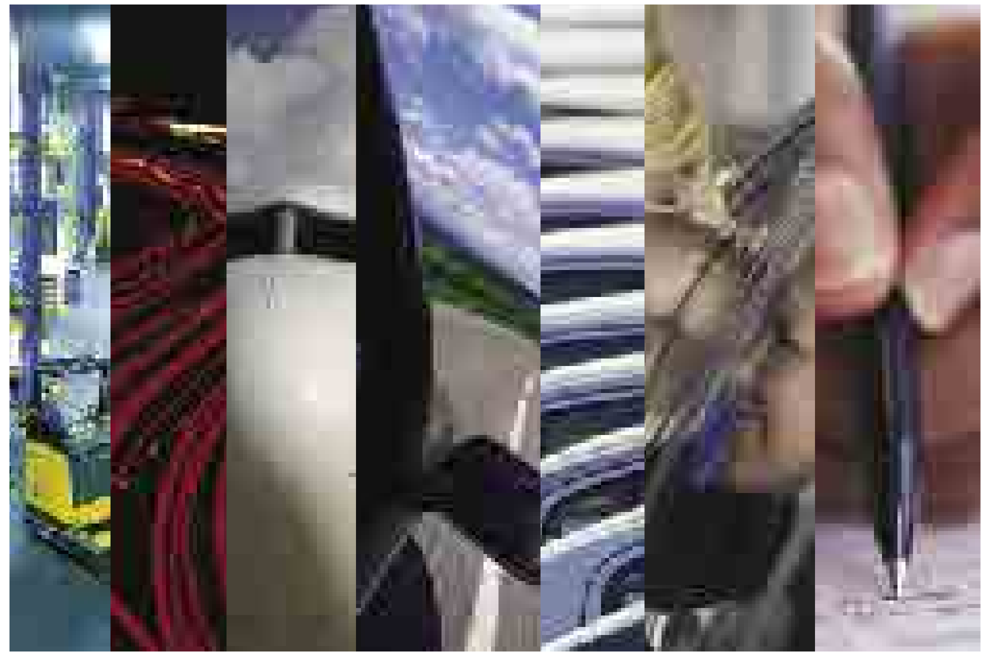
Driving entrepreneurial momentum



Contents

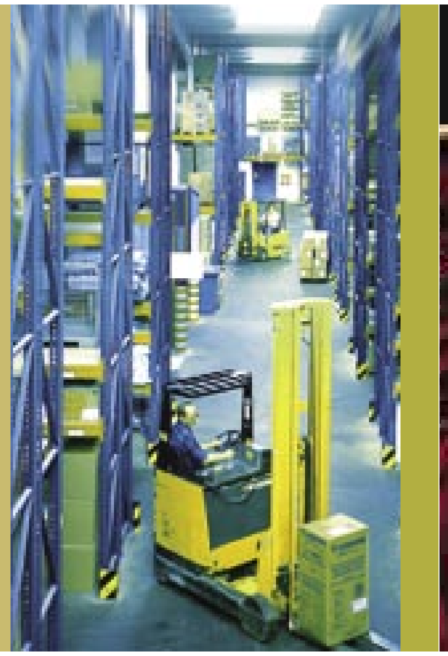
Group profile

Integrated values creating mobility

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 entity to its own unique business requirements while extracting the maximum synergistic value from being part of the greater Imperial group.



Logistics

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 engaged in contract logistics, delivering complete logistics solutions, warehousing, shipping, trucking, container handling and various related value-added services.

Operating highlights

- A good performance from increasing volumes in Southern Africa and in Europe.
- Achieved higher service levels through flexibility and responsiveness to changing customer demand.
- High fuel prices and stiff competition were met by productivity gains.

Outlook

We expect another solid performance from this division in the year ahead, driven by good economic conditions in South Africa and in Europe. High fuel prices may slow demand and put pressure on margins.

	2006	2005	% Change
Revenue (Rm)	**12 426**	12 721	(2)
Operating profit (Rm)	**763**	664	15
Operating asset (Rm)	**7 702**	7 016	10
Employees	**15 229**	15 136	1
Fleet size	**5 213**	4 890	7

Leasing and Fleet Management

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, and a substantial operator of earthmoving equipment for the infrastructure and mining sectors.

Operating features

- Pressure on profits from low interest rates and slow demand for fleet outsourcing, particularly from the state.
- Leasing fleet still grew by 9%.
- MCC acquisition has begun to contribute positively.

Outlook

Strong growth is expected from the division despite a continuation of subdued industry conditions. New initiatives in the division, including MCC, will underpin growth.

	2006	2005	% Change
Revenue (Rm)	**3 028**	2 301	32
Operating profit (Rm)	**540**	456	18
Operating asset (Rm)	**5 171**	3 736	38
Employees	**3 829**	1 644	133
Fleet size	**30 291**	26 960	12

Aviation

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-added solutions to our blue-chip customer base.

Operating features

- Improved operational performance in Safair.
- Exchange rate impacted negatively throughout the year.
- Positive impact of recent Rand weakness not yet felt.
- Good sales growth, but lower margins in NAC and Naturelink.
- Significant profit on the sale of aircraft.

Outlook

There are positive signs of a recovery from recent weakness in the division through fleet rationalisation, higher efficiencies, cost containment, a good order book in NAC and a weaker exchange rate.

	2006	2005	% Change
Revenue (Rm)	**3 349**	2 699	24
Operating profit (Rm)	**280**	265	6
Operating asset (Rm)	**3 786**	3 304	15
Employees	**1 350**	1 227	10
Aircraft in fleet (owned)	**149**	130	15

Car Rental and Tourism

The division, consisting of car rental and wholly owned tourism interests as well as its 67% interest in the listed Tourvest group, is the largest player in the domestic tourism industry. The car rental operations serve the domestic corporate and leisure sectors as well as inbound tourists, and conduct extensive support services such as used car disposals and panelshops. Tourvest provides inbound and outbound tourism and travel services, retail merchandising and financial services.

Operating features

- A good increase in revenue days amidst strong competition, but modest revenue growth.
- Declining rates in the inbound tourism and leisure markets, but reasonable increases in the corporate market.
- Profitability adversely affected by price instability, increase in accident costs and pressure on used car prices.
- Real growth in Tourvest despite the strong Rand.

Outlook

Good growth expected from the diversity of the division and its new ventures. A weaker Rand will support margins.

	2006	2005	% Change
Revenue (Rm)	**3 441**	3 128	10
Operating profit (Rm)	**507**	496	2
Operating asset (Rm)	**2 312**	1 864	24
Employees	**5 166**	4 755	9
Fleet size	**11 571**	10 090	15

Distributorships

This 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, and retails Ford passenger cars in Australia. The division is also building substantial related financial services operations in conjunction with banks and insurance companies.

Operating features

- A strong vehicle market buoyed sales.
- Margins maintained through back-end income streams.
- Growth in the vehicle park supported brand profitability.

Outlook

New distributorships and the maturing of the division's dealerships will sustain growth. Some negative impact from slowdown in consumer spending and weaker Rand expected later in the new financial year.

	2006	2005	% Change
Revenue (Rm)	**16 009**	9 655	66
Operating profit (Rm)	**1 503**	923	63
Operating asset (Rm)	**9 029**	5 211	73
Employees	**7 140**	4 571	56

Motor Dealerships

This division holds a leading position in the retailing of passenger and commercial vehicles in South Africa. It represents motor vehicle brands that have a local OEM presence, mainly 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.

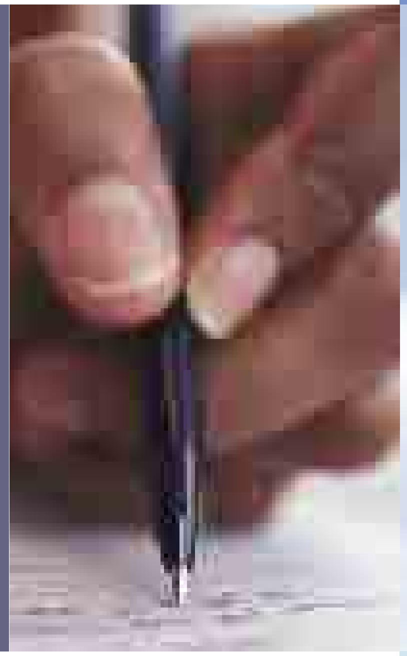
Operating features

- An excellent year from high-volume growth but trading conditions remained tough due to competition from other dealers and imported models, a difficult used car market and reducing gross margins.
- New dealerships contributed positively.

Outlook

The expected slowdown in consumer spending will retard growth in our traditional businesses, but the much larger car parque will benefit our service and parts operations. New dealerships and other initiatives integrated with the dealer channel will support profit growth.

	2006	2005	% Change
Revenue (Rm)	**14 980**	12 073	24
Operating profit (Rm)	**377**	301	25
Operating asset (Rm)	**3 269**	2 320	41
Employees	**5 915**	4 705	26



Insurance

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

- An excellent year with sound insurance profits, substantial investment income from a buoyant equities market and market share gains.
- Improved margins and cost ratios; excellent return on equity.
- Broker-generated business and traditional life insurance definitely more competitive and price sensitive. Specific challenges are coming with the introduction of the National Credit Act which prohibits the use of single premiums.

Outlook

A positive outlook on all fronts, except for investment returns which are not expected to be repeated following strong gains in the recent past.

	2006	2005	% Change
Revenue (Rm)	**2 622**	1 899	38
Operating profit (Rm)	**589**	419	41
Operating asset (Rm)	**3 742**	2 962	26
Employees	**670**	570	18

Corporate information

Non-executive directors

L Boyd Chairman*, CEng FIM (UK)
PL Erasmus*
P Langeni*, BCom (Accounting)
MJ Leeming*, BCom, MCom, FCMA, FIBSA, AMP
JR McAlpine*, BSc, CA
PJ Molefe, PhD (Hons)
VJ Mokoena, BA
MV Moosa, BSc
CE Scott
MV Sisulu, MA, MPA
RJA Sparks*, BCom, CA(SA), MBA
A Tugendhaft, BA, LLB
Y Waja, BCom, CA(SA)

*Independent

Executive directors

WG Lynch (Irish)
RJ Boëttger, BAcc (Hons), CA(SA)
HR Brody, BAcc (Hons), CA(SA)
MP de Canha
RL Hiemstra, BCompt (Hons), CA(SA)
WS Hill, HN Dip (Ind Eng), AEP
AH Mahomed, BCompt (Hons), CA(SA), HDip Tax
GW Riemann (German)

Executive committee

WG Lynch, OS Arbee, RJ Boëttger, HR Brody, MP de Canha, RL Hiemstra, WS Hill, N Hoosen, AH Mahomed

Audit committee

MJ Leeming (chairman), P Langeni, A Tugendhaft, Y Waja

Remuneration and nomination committee

L Boyd (chairman), MJ Leeming, JR McAlpine, A Tugendhaft

Risk committee

A TugendhafVJ Mokoena

Assets and liabilities committee

HR Brody (chairman), RL Hiemstra, MJ Leeming, WG Lynch, AH Mahomed, R Mumford, WF Reitsma

Group internal audit executive

P Mnxasana, BCom, CA(SA)

Company secretary

RA Venter, BCom, LLM

Business address and registered office

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Name and registration number

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1946/021048/06

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Contact person for sustainability

RA Venter

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Website

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E-mail

mail@imperial.co.za

JSE Limited information

Imperial
Code IPL
ISIN ZAE 000067211

Shareholders' diary

Annual General Meeting	1 November 2006
Interim results released	February 2007
Interim distribution	April 2007
Final results released	August 2007
Final distribution	October 2007

Entrepreneur (on-trě-prěn-**eur**)

The brain allows incoming information to organise itself in patterns and sequences. In movement, we come to an idea, we are solely interested in where we can move from the idea. *Edward de Bono*

The entrepreneurial loop represents the unique creativity that is applied by the entrepreneurial mind. It signifies not only the creation of an idea, but also the ongoing forward movement that ensures the idea is successfully implemented.

The practice of entrepreneurship in Imperial Holdings Limited

Entrepreneurship is the art of creating new business enterprises. Imperial practices this art to the fullest at all levels of the organisation and intends to remain a high-growth company through the regular creation of new and the reinvention of old enterprises.

Entrepreneurship

We should not be measured only in terms of what we are today, because we will have created new centres of growth tomorrow. We believe that our future holds more value than our present. For this to be true, it requires a broad mind, a certain risk appetite, and the strength of conviction to execute and implement the strategies we have conceived. The human qualities to succeed as an entrepreneur exist in most good people and Imperial strives to be an organization which provides the space for such people to succeed.

Taking risks is integral to the practice of entrepreneurship. No guarantee of a predictable outcome can be expected, but the outcome can be steered through careful planning, knowledge, intuition and diligence in the execution of the plan. In our culture of regular measurement and re-measurement of past results and forecasting and re-forecasting of the outcome, we have been able to limit the risks in entrepreneurial ventures to manageable levels.

Whilst we have a certain considered risk appetite, Imperial is not opportunistic in its nature. The group’s retained focus on a well-understood theme is evidence of that. However, the way in which opportunities within this theme have been created and exploited is evidence of management’s insight and foresight in the industry of mobility.

A history of entrepreneurship

Imperial has a history of successful entrepreneurship, borne out of an attitude, courage and a unique culture. Entrepreneurship is practiced at all levels of the organisation, in small measures and on a large scale. What follows here is an illustration of how the practice of entrepreneurship has lead to the creation of valuable businesses of considerable scale.

At the time of establishment of Imperial Car Rental, the industry was dominated by the big names of Avis, Budget and Hertz. In South Africa, these companies were franchisees of international players with established brand names and systems of operation. Seeing the benefits of vertical integration with a motor group, Imperial established its own branded car rental firm as a sister company to its larger motor retail business. In South Africa today,

We place a high premium on the creation of new ventures aligned to our business theme. A culture of, and appetite for, true entrepreneurialism is a precondition for the regular creation of new enterprises of the scale required to make a difference in the context of a business of the size of Imperial.

all the above franchises have been merged with large motor groups and are reaping the benefits of their affiliations.

The creation of new businesses regularly produces positive unintended consequences. As an unintended consequence of our exposure to the tourism industry through Imperial Car Rental, we were comfortable to enter the tourism industry proper through various acquisitions to which we could add value. Mobility finds itself at the roots of the tourism industry and as such, Imperial has created the space for itself for involvement in this important high-growth segment of the domestic and international economy.

The creation of an independent financial services business on the back of the motor trade is not new in international terms, but it is unique as an offshoot of a pure motor retail franchise as Imperial was at the time of the creation of the Regent Insurance group and Imperial Bank. Considering the relative size, capitalisation and financial maturity at the time of the establishment of our financial services businesses, we assumed a great deal of risk in so doing. Indeed, the option of partnering with established financial services groups instead of going it alone was very attractive and carried significantly lower risk. However, the entrepreneurial desire to build our own businesses prevailed and after several years of dedication, our financial services businesses have created infinitely more value than a junior partnership with a large financial services group would have done.

Some of the knowledge gained and practiced in the conduct of our financial services businesses have inspired original thinking in the group's treasury operations which lead to the strengthening of our balance sheet through the disintermediation of banks and the creation of corporate and commercial paper programmes. The ability to independently fund a growing and diverse fleet of mobility assets with appropriate financial leverage is an integral element of the group's long-term strategy for high sustainable growth in shareholder value.

This is why we place a high premium on the creation of new ventures aligned to our business theme. A culture of, and appetite for, true entrepreneurialism is a precondition for the regular creation of new enterprises of the scale required to make a difference in the context of a business the size of Imperial.

Some years after the creation of our financial services business, which in itself is still in its infancy, we created our vehicle import and distribution business. This business, which was hardly noticed in our portfolio a mere five years ago, this year made a pre-tax profit of R1.3 billion and is the largest contributor to our earnings. The risks taken in the establishment of this business were immense, given the vulnerability and volatility of the Rand as a currency at the time. The creation of this business also flew in the face of some conventional wisdom of not competing with your own core business, namely our motor franchise operations. Whilst its creation entailed significant risk taking, it was not an opportunistic move predicated on the hope of a stronger currency, but based on an intimate knowledge and experience of the international motor industry and the effect of the liberalisation of international trade practices thereon.

Further entrepreneurial themes are being incubated throughout our group at this time. Not all future businesses of scale which will emanate from our current activities will be by design. Some will emerge as unintended consequences of current initiatives. We believe that the world economy, and particularly South Africa, at this time has the potential of harbouring opportunities for significant wealth creation in our areas of expertise. These opportunities are available for all companies to seize. As for Imperial's chances of seizing on the right ones, we have the financial means to do it, we have a current portfolio which will expose these opportunities and, more importantly, we have the culture of entrepreneurship to bring them to book. This culture is in no small measure attributable to the thirty-five years which Imperial's chief executive officer, and this year's Ernst and Young World Entrepreneur of the Year, has spent as a leader in our group. This culture has become a way of thinking in Imperial and has permeated through to all levels of the organisation.

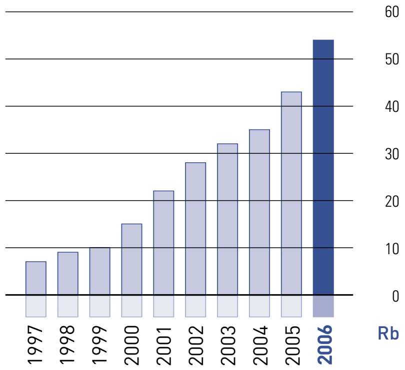
With its decentralised management style and embedded culture of entrepreneurship, any of Imperial's current divisions may yet emerge as companies of the scale of the Imperial group of today.

Over the past three decades, Imperial has created the enterprises which today make up a valuable organisation employing some 40 000 people, pays them R5.8 billion per annum and plays an indispensable role in the South African economy. A mere ten years ago, the group employed one third of the people it does today, earned one eighth of the revenue and made one tenth of the profit it makes today. It also operated in a much smaller, more vulnerable and more inward-looking economy than today. It stands to reason that the power of wealth creation in Imperial today is far greater than at any previous stage in its history.

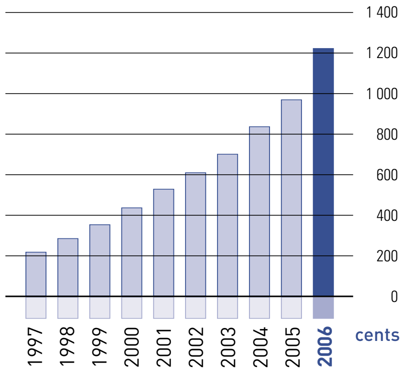
Financial and operational highlights

- Group revenue grew by 27% to R54.1 billion, buoyed by strong demand for motor vehicles and related value-added products
- Headline earnings grew by 26.1% to 1 222.1 cents per share
- Strong operating result up 31.4% to R4.5 billion
- Free cash flow amounted to 137.5% of headline earnings
- The capital distribution to shareholders grew by 20% to 474 cents per share
- The group's ROE improved further to 25.6%
- Another strong performance by our distribution and insurance businesses

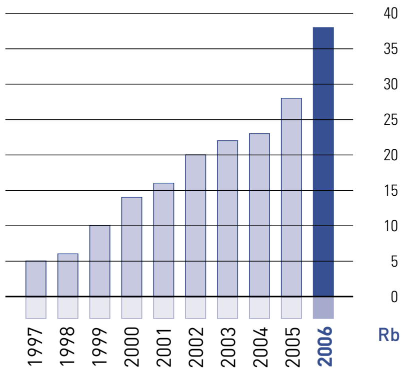
Revenue



Headline earnings per share



Total assets

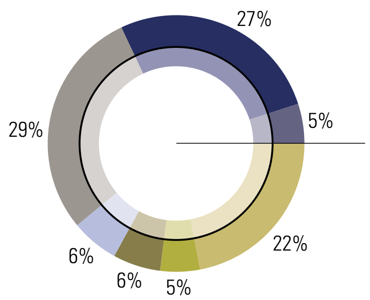


	2006	Restated 2005	% change
Revenue (Rm)	**54 105**	42 605	27
Operating profit (Rm)	**4 458**	3 394	31
Profit margin (%)	**8.2**	8.0	
Profit before exceptional items (Rm)	**3 772**	3 108	21
Headline earnings attributable to shareholders (Rm)	**2 291**	1 941	18
Headline earnings per share (cents)	**1 222**	969	26
Distributions to shareholders (cents)	**474**	395	20
Cash generated by operations (Rm)	**5 634**	4 464	26
Return on equity (%)	**25.6**	23.0	
Total assets (Rm)	**37 560**	27 675	36
Net asset value per share (cents)	**5 330**	4 244	26
Market capitalisation at closing prices (Rm)	**26 715**	20 909	28

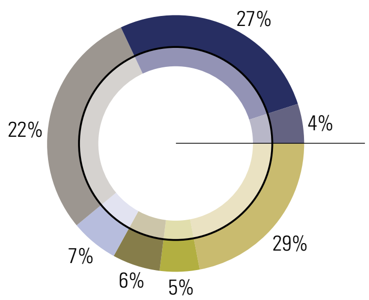
Strategies

- We will focus on our existing businesses to improve efficiencies and operating margins
- We continue to leverage off our existing interests where we have the customer bases, supplier connections and expertise
- We will keep innovating new ideas to ensure ongoing growth, development and entrepreneurship
- We will seek to grow our asset base through better leveraging of our balance sheet ensuring that finance is available for future expansion
- We will contemplate local and offshore opportunities that suit our criteria for value and focus
- The emphasis of Imperial remains on generating shareholder value

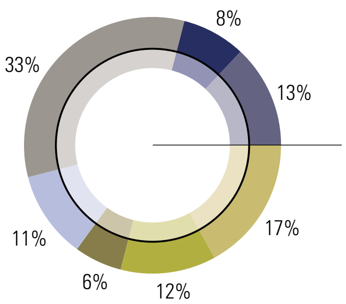
Divisional contribution to group revenue 2006



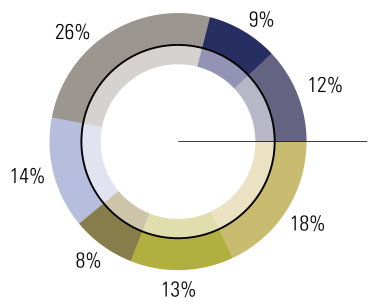
Divisional contribution to group revenue 2005



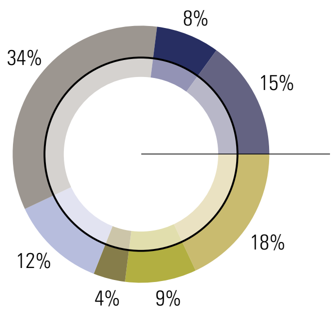
Divisional contribution to operating profit 2006



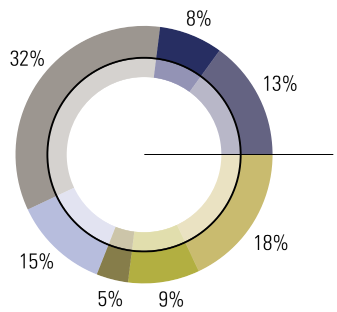
Divisional contribution to operating profit 2005



Divisional contribution to profit before exceptional item 2006



Divisional contribution to profit before exceptional item 2005



Outlook

- We are positive about the year ahead
- We expect continued strength in the economy in South Africa, supported by structural factors and infrastructure building
- We also foresee solid performances from our businesses outside South Africa
- A weaker Rand provides strong impetus to our aviation and tourism operations
- Accordingly we expect another good year of earnings growth

- Logistics
- Leasing and Fleet Management
- Aviation
- Car Rental and Tourism
- Distributorships
- Motor Dealerships
- Insurance

Non-executive directors

Shown left to right

Leslie Boyd (69) CEng, FIM (UK)*
Leslie is a retired executive vice chairman of Anglo American Plc. He is currently the non-executive chairman of Datatec and Metmar and a director of Aspen, Columbus Stainless, Highveld Steel and Vanadium Corporation, Sun International and Tongaat-Hulett. He was appointed to the board and as chairman in June 2001.

Phil Erasmus (66)*
Phil is the retired chief executive of Tanker Services and former head of the Transport division until his retirement in 1995. He joined the group and the board in August 1993.

Phumzile Langeni (32) BCom (Accounting)*
Phumzile is currently a director of Anooraq Resources and an independent non-executive director of Massmart Holdings Limited and Emperor's Palace. She is the JSE representative on the Securities Regulation Panel (SRP). She was appointed to the board in June 2004.

Mike Leeming (62)
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 (65) BSc CA*
Roy is a former executive director of Liberty Life. He is currently a non-executive director of African Rainbow Minerals and Hyprop Investments, and is a past chairman of the Association of Unit Trusts of South Africa. He was appointed to the board in August 1998.

Veli Mokoena (46)
BA, Postgraduate Diploma in Management (Wits), Executive Development Programme (New York)
Veli is the chief executive of Ukhamba Holdings, the group's empowerment partner and is currently a non-executive director of Distribution and Warehousing Network (DAWN) Limited. He was appointed to the board in March 2004.

Popo Molefe (54) PhD (Hons)
Popo was the Premier of the North West Province and Chairperson of the ANC in the North West Province. He 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 (49) 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.

Carol Scott (59)
Carol was the executive 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. Carol joined the group in 1978 and was appointed to the board in July 1990. She relinquished her executive duties at the end of June 2006. She is the non-executive chairman of Tourvest and the Car Rental and Tourism division.

Max Sisulu (61) 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.

Roddy Sparks (47) BCom, CA(SA)*
Roddy is a former managing director of Old Mutual South Africa and Old Mutual Life Assurance Company (SA) and former chairman of Old Mutual Unit Trust, Old Mutual Specialised Finance and Old Mutual Asset Managers (SA). He is a director of Worldwide African Investments and serves on the board of governors of the UCT Graduate School of Business. He was appointed to the board in July 2006.

Oshy Tugendhaft (58) BA, LLB
Oshy is the senior partner of Tugendhaft Wapnick Banchetti & Partners, a leading Johannesburg law firm and a non-executive director of African Bank Investments Limited and Pinnacle Technology Holdings Limited. He was appointed to the board in April 1998.

Younaid Waja (54) 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 in Telkom) and an accountant member of the Special Income Tax Court. He is also a former chairman of the Public Accountants' and Auditors' Board. He was appointed to the board in June 2004.

* Independent

Executive directors

Shown left to right

Bill Lynch (62) Chief Executive
Bill is the chief executive of Imperial and joined the group 35 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 and in 2006 received the KPMG World Entrepreneur of the Year Award.

Ralph Boëttger (45) BAcc (Hons), CA(SA)
Ralph is the chairman of the Aviation and Logistics divisions and is also responsible for Tyco, Lectrolite and Imperial Commercials in the UK. He joined the group in 1998 with the acquisition of Safair. He was appointed to the board in November 2002.

Hubert R Brody (42) BAcc (Hons), CA(SA)
Hubert is the chairman of the Motor Dealerships and the Insurance divisions and the deputy chairman of the Car Rental division. He is also the executive responsible for the group treasury, Imperial Online and Imperial Multipart in the UK. Hubert joined the group in April 2000 as chief financial officer of Imperial Bank and was appointed to the executive committee in March 2004 and the board in August 2006.

Manny de Canha (56)
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 (50) BCompt (Hons), CA(SA)
Tak is the executive director, strategic development and investor relations of the group. He is responsible for Enterprise and Business Development and is Imperial's representative on the board of Ukhamba, the group's empowerment partner. He is the former managing director of Imperial Bank. He joined the group in 1992 and was appointed to the board in July 1993.

Walter Hill (47) 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 and the board in August 2006.

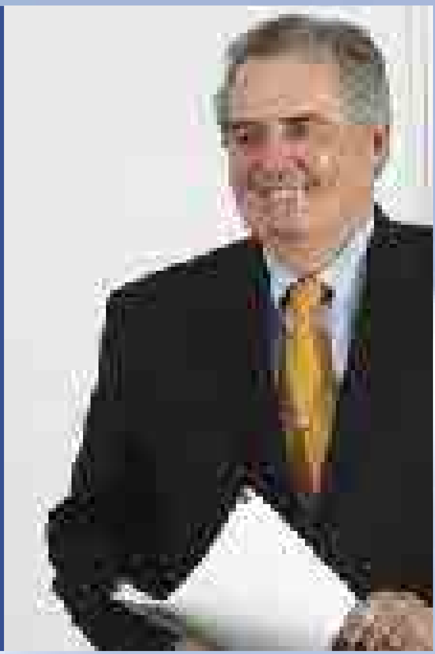
Hafiz Mahomed (55) BCompt (Hons), CA(SA), HDip Tax
Hafiz is deputy chief executive and the group financial director. He joined the group as financial manager in 1982 and was appointed to the board in March 1989.

Gerhard Riemann (60)
Gerhard is the chief executive of Imperial Logistics International in Germany and is responsible for logistics operations in Europe. He joined the group and the board in January 2000.

Other members of the executive committee

Osman Arbee (47) BAcc, CA(SA), HDip Tax
Osman is the CEO of the Car Rental and Tourism division and a former senior partner at Deloitte & Touche. Osman heads up the transformation committee at Imperial. He is a director of Distribution and Warehousing Network (DAWN) Limited and Ukhamba Holdings (Pty) Limited (Imperial's black empowerment company). He joined the group and the executive committee in September 2004.

Nazeer Hoosen (42) BCompt
Nazeer is the chief executive of Regent Life. He joined the group in November 1996 as financial manager of Regent Life and 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.



As a broad-based South African mobility group, Imperial's potential for high sustainable growth in the current and prospective economic landscape is considerable.

L Boyd Chairman

Low interest rates and benign inflation, and indeed deflation in the prices of many attractive imported goods, have enticed consumers to spend on household goods and cars.

Chairman's report

Imperial Holdings Limited continued to demonstrate its ability to extract extraordinary value from prevailing economic circumstances.

The results for this financial year were outstanding and are set out in detail in this report. The company delivered a high return on shareholder funds and sustained its unbroken record of producing consistent strong real growth in revenue, earnings and assets.

The company's 2006 financial year was characterised by robust consumer spending, especially on durable goods. Low interest rates and benign inflation, and indeed deflation in the prices of many attractive imported goods, have enticed consumers to spend on household goods and cars. With its broad exposure to the vehicle retail, finance and insurance sectors, Imperial was able to build profitable and sustainable businesses of considerable scale on the back of this consumption trend.

In addition to its consumer businesses, Imperial's logistics, leasing, tourism and aviation businesses continued to strengthen in an economy in which the gross domestic product grew by 4.7% p.a. Its customer base includes public and private sector organisations which are experiencing strong demand for their services from an economy which is catching up on years of minimal spending on infrastructure. International demand for commodities is strong, bringing new primary sector projects on stream. Increasing productivity through technological advances is further contributing to economic activity such as business travel, a quest for better logistics solutions and the outsourcing of corporate mobility services. As a broad-based South African mobility group, Imperial's potential for high sustainable growth in the current and prospective economic landscape is considerable.

Empowerment and corporate social investment

Imperial continues to focus on its social responsibilities in South Africa with the advancement of its black economic empowerment (BEE) initiatives. A substantial amount of wealth has been created during the year through the holding company's two major BEE transactions with Ukhamba and Lereko. The growth in value attributable to our black co-shareholders in these entities in the financial

year amounted to R259 million. The value of shareholders' funds in Ukhamba now stands at R1 945 million of which 47% accrues to black employees of Imperial and 6% to a development trust. In addition, growth in corporate social investment spending was 86% higher than last year at R15.9 million, and a total of 746 806 (2005: 725 158) hours of staff training was provided.

Governance

Good corporate governance remains a core value at Imperial. The audit, risk and remuneration committees are functioning well and, in addition, a new committee of the board, the assets and liabilities committee, was formed.

Directorate

We noted with great sadness the untimely death Eric Molobi, our deputy chairman. Eric made a significant contribution to the affairs of the group and will be sadly missed.

Carol Scott retired as an executive director of the group after 27 years of service. Her contribution to the success enjoyed by the group is immeasurable. Fortunately she has agreed to serve as a non-executive director and we look forward to her continued contribution.

We also welcomed Roddy Sparks, former managing director of Old Mutual South Africa to the board.

Bill Lynch, our chief executive officer, received the KPMG World Entrepreneur of the Year Award for 2006. This was a wonderful achievement and we all bask in his reflected glory.

Our thanks go to Bill, his management team and all the employees of Imperial for the excellent results achieved in 2006.

Prospects

It appears that the South African economy is entering a consolidation phase in terms of consumer spending. Whilst vehicle sales growth is still robust in historic terms, at 18% year-on-year for the first half of 2006, compared to 26% for calendar 2005 and 22% in 2004, the recent 1% rise in the prime rate, as well as some Rand weakness, ought to bring pressure to bear on the rate of growth. Despite consumer confidence remaining high during the second quarter of 2006, higher interest rates, more volatile financial markets, higher transport costs and food prices may erode some confidence in subsequent quarters. This could retard credit growth and bring growth in consumer spending closer in line with real after-tax household income.

Against a slowdown in retail spending growth, South Africa should experience an increase in capital projects to replace an ageing and overstretched infrastructure. The government has made serious commitments to increased capital spending in coming years, especially with the hosting of the Soccer World Cup in 2010. Imperial has a large direct and indirect exposure to these developments.

On balance, the group expects good growth in earnings in the year ahead.

L Boyd
Chairman

Executive committee

Shown left to right

Bill Lynch (62) Chief Executive

Manny de Canha (56)

Tak Hiemstra (50) BCompt (Hons), CA(SA)

Nazeer Hoosen (42) BCompt

Hubert Brody (42) BAcc (Hons), CA(SA)

Walter Hill (47) HN Dip (Ind Eng), AEP

Hafiz Mahomed (55) BCompt (Hons), CA(SA), HDip Tax

Ralph Boëttger (45) BAcc (Hons), CA(SA)

Osman Arbee (47) BAcc, CA(SA), HDip Tax

Imperial Holdings Limited had another outstanding year bringing the 19-year compound growth rate in the headline earnings per share since listing to 29%.

Bill Lynch Chief executive officer

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

Chief executive officer's report

Imperial Holdings Limited had another outstanding year with headline earnings per share rising by 26.1% after a 25% increase last year, bringing the 19-year compound growth rate since listing to 29%. Revenue grew by 27% to R54.1 billion and operating profit by 31.4% with the operating margin increasing to 8.2% from 8.0%.

Like the year before, the past year was characterised by the excellent performance of our motor distribution and retail activities, and related financial services. At the same time, our businesses directed at the logistics and vehicle leasing needs of the corporate and public sectors also delivered good growth. All seven of our divisions grew their operating profits with five of the seven divisions growing by 15% or more, and our associates grew in excess of 50%.

Our strategy to approach the mobility industry on several fronts to create a comprehensive integrated mobility-focused group has paid off handsomely and enabled us to create valuable businesses of considerable scale.

During the year, business conditions were favourable, but competitive in all areas of our business. Consumer demand for motor vehicles remained high with year-on-year growth in new vehicle sales of 22% during our financial period. This was buoyed by a growing consumer sector with real increases in salaries and wages amidst flat vehicle prices and low interest rates. Therefore, demand was driven by affordability as well as growth in the middle class and the necessity for urban families to own a private motor vehicle due to an inadequate public transport system.

Consumer spending is showing signs of cooling down following recent interest rate increases. Further rate increases are possible, but we expect sales growth to continue, as the fundamental factors driving vehicle demand still remain firmly in place.

As a group, we have a positive view of business opportunities in South Africa in the foreseeable future and believe that Imperial, with its spread of businesses across the broader mobility sector, has the knowledge and skills to extract maximum value from this. This will create significant opportunities for growth in our customer base, our fleets and facilities, which will require extensive training and development of our people. We have invested R3.4 billion in expansion capital expediture during the year, which includes a number of acquisitions, new ventures and larger facilities, but does not include the working capital and other costs associated with these initiatives. These investments in the future of the organisation were funded with cash generated by our operations and outside borrowings. As we have a well-diversified funding platform and a strong credit rating, our balance sheet could efficiently absorb the funding required for these long-term investments.

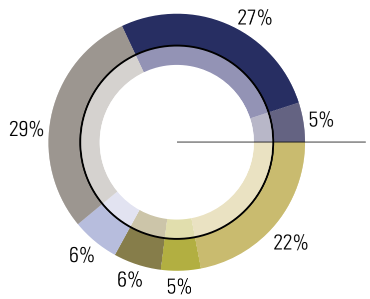
Imperial Capital was created a year ago as a 100% subsidiary to house and fund our fleet assets, and in this year, Imperial Capital has raised R1.4 billion of debt capital. R2.1 billion worth of assets has thus far been transferred to Imperial Capital. Asset growth in Imperial Capital will be phased towards owning most of the group's non-aviation revenue-earning assets, which amounted to R7.8 billion at June 2006.

In addition to a range of other efficient funding facilities in the domestic capital market, Imperial also issued a seven-year €300 million Eurobond, partly to fund our off-shore operations and to augment our funding platform.

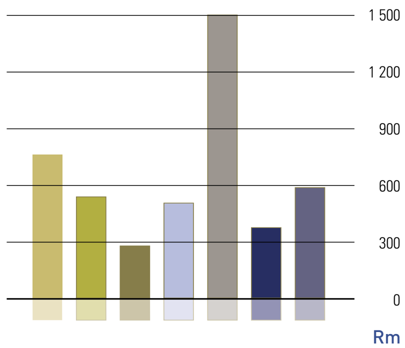
We believe that, through these initiatives, we now have the ability to maximise the commercial benefits which are going to flow from South Africa's economic growth in the next few years.

The government has committed itself to invest in infrastructure projects to replace and expand the capacity for service delivery over the next four to five years. Infrastructure spending on power generation, harbours, pipelines, roads, sanitation and more housing delivery will provide impetus to economic growth. At the same time, global economic strength led by robust economic activity levels in China and India also underpins demand for commodities produced by South African mines.

Divisional contribution to group revenue 2006



Divisional operating profit



- Logistics
- Leasing and Fleet Management
- Aviation
- Car Rental and Tourism
- Distributorships
- Motor Dealerships
- Insurance

Our logistics, leasing and car rental and travel businesses have direct exposure to infrastructure development and the mining sector, especially following certain investments which we made during the year.

The most important of these has been the acquisition of the MCC group, which owns and operates 1 039 units of earthmoving equipment. This acquisition, which took effect in December 2005, has already made a positive contribution. In the current climate of growth in construction and strong global demand for commodities, we plan to increase our investment in services to these sectors.

Our other investments for growth during the year included the following:

- In the Logistics division, TFD Network Africa, a warehousing and distribution business, Hamiltons Meat Carriers, a refrigerated transport company, Transmart, a specialised courier business, Bongani Logistics, an empowerment logistics provider as well as the assets and long-term fuel distribution contracts of Bulktrans.
- Imperial Logistics International invested €3.8 million in trailer equipment and spent €5.7 million on the expansion and upgrading of the inland waterway fleet.
- In the motor division, seven new car dealerships and three truck dealerships were added in South Africa, and four Nissan dealerships were acquired in Sweden. The division disposed of a dealership in East London to a black empowerment group.
- The acquisition of Beekman Canopies, a manufacturer and distributor of canopies for light commercial vehicles.
- Auto Pedigree in the Car Rental and Tourism division opened five used car dealerships.
- The acquisition of Safedrive, a group of 36 franchised vehicle testing stations in the Leasing and Fleet Management division.
- Tourvest acquired Cummings Travel, a travel agency in South Africa, as well as a number of tourist destination assets in South Africa which combine well with its inbound division. Outside South Africa, it acquired three businesses engaged in wildlife tourism in Botswana and Zambia, interests and agencies in the retail travel industry in Nigeria and Ghana, as well as a retail merchandising chain in the Caribbean. Certain of the international acquisitions are still subject to regulatory approval.

- In the United Kingdom, Imperial acquired a group of companies from RAC plc for a total consideration of approximately £50 million on a debt-free basis. The businesses include Lex Commercials, a dealer in DAF trucks and LDV vans, operating 22 dealerships and workshops, Lex Auto Logistics, based near Manchester, engaged in auto parts warehousing and distribution, Lex Fleetserve, a niche parts service provider of supply chain services to selected user groups, and Lex Multipart Defence, a provider of outsourcing and warehousing services to the UK defence sector. The group had a combined turnover of approximately £300 million in its year to December 2005, and employs 1 340 people. The truck dealership group has been renamed Imperial Commercials and the parts logistics businesses trade under the name Imperial Multipart.
- Associated Motor Holdings in the Distributorships division opened six dealerships at various locations around the country. It was further awarded the Benzhou franchise, with a competitively priced Chinese motorcycle, and it opened its first Kawasaki retail outlet. Truck assembly capacity in the Distributorships division was increased from 1 600 to 3 000 units p.a.. Four new service facilities were opened, the VDL Bus (powered by DAF) was launched, and the division concluded distributorship agreements with King Long Bus and JAC Trucks from China.

Including acquisitions, the group invested R1 214 million in real estate during the year, bringing our total investment in well-located commercial, industrial and office properties to R3.2 billion. These properties are excellent assets giving us a strategic advantage as well-located properties for our type of business are becoming increasingly scarce.

Our international expansion strategy is conservative and aimed at gradually creating businesses in chosen countries in which we can apply the strategies of logical vertical integration in the mould of our South African mobility business. We commenced with our international expansion in 1998 with the acquisition of our German logistics business which has proven to be a great success. We have achieved an excellent return on the investment over the past eight years and enjoyed the exposure to practices and techniques applied by a highly advanced logistics business in a first-world country.

Late in our previous financial year, we invested in nine Ford dealerships in Sydney, Australia. We are still struggling to turn this business to profitability, and suffered this year from a significant downturn in the six-cylinder market in Australia due to high fuel prices and a loss of market share by Ford in that country. We are in the process of restructuring this dealer group and believe that part of the solution will be to increase the throughput in our existing facilities, and to introduce other brands for distribution and further vertical integration into related services.

In the United Kingdom, our strategy is similar. We acquired a DAF truck dealer group and an auto parts logistics operation. The investment was relatively small with minimal goodwill in the purchase price, but the sphere of influence of these businesses is such that they can lay the foundation for the creation of an integrated mobility group in that country. We have already seen the benefit of cooperation between our German and UK logistics businesses.

Our group is able to compete effectively in an international context. Our dealership facilities are amongst the most attractive facilities found on any continent, our logistics and leasing systems compete with the best in the world and the quality of service in our car rental and tourism businesses is on a par or exceeds similar services internationally. The quality of our management in an international context was illustrated this year by the award to Alan Ross, Managing Director of Hyundai South Africa, as Hyundai Distributor of the Year.

Turning to our operations for the past year, we were highly satisfied with the growth in all our divisions. Some individual businesses disappointed, but corrective action has been taken.

"Our logistics business is in good shape with a young vehicle fleet, excellent warehousing, distribution and workshop facilities, vast experience in management and a customer base of market leaders who are themselves highly successful businesses. The vertical integration of the Imperial group gives us a competitive edge in terms of vehicle supply, a disposal network, financial support and valuable connections to the broader business community."

Marius Swanepoel, chief executive officer of Local Logistics

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

Gerhard Riemann, chief executive officer of Imperial Logistics International

Divisional review

	2006 Rm	2005 Rm	% Change
Revenue	12 426	12 721	(2)
Operating profit	763	664	15
Net financing cost	76	92	(17)
Profit before exceptional items	688	587	17
Operating asset	7 702	7 016	10
Non-interest-bearing liabilities	3 005	2 648	13
Interest-bearing borrowings	1 322	1 420	(7)
Capital expenditure	1 210	907	33
Operating margin	6.1%	5.2%	
Employees	15 229	15 136	1
Fleet sizes			
– Southern Africa	4 884	4 587	6
– Europe	329	303	9

Logistics

Southern Africa

Starting with our logistics business in South Africa, we are the largest provider of land-based logistics services in South Africa. We use sophisticated technology to provide integrated supply chain management, transport and warehousing services to a customer base of top industrial and retail businesses in South Africa. Whilst our workshop, driver training, depot and other support facilities are comprehensive and of a high standard, several of our businesses are operating under their own brand names as customer-oriented small businesses.

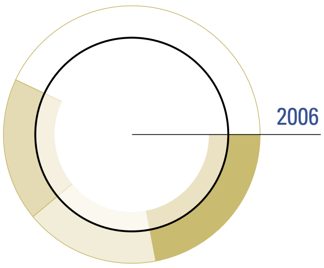
We provide approximately 15% to 20% of the outsourced road transportation in South Africa but, within the context of the broader logistics market, our current market share has significant scope for further growth in a highly fragmented market, especially with the entrance of a large number of new players to the market.

Results

In Southern Africa, revenue grew by 15.1% to R7 252 million and operating profit by 22.7% to R573 million. The margin grew from 7.4% to 7.9% and the return on operating assets improved from 9.4% to 10.7%. This was achieved through volume increases on several fronts, buoyant consumer spending, labour stability, and increased efficiencies. Higher margins were also earned from servicing larger segments of our customers' supply chains.

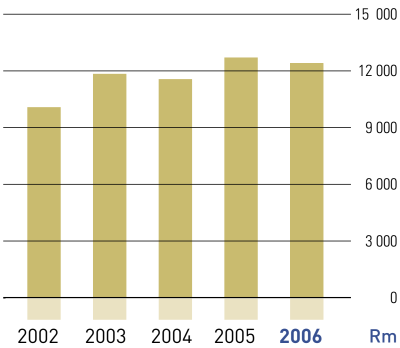
The strong currency resulted in a decline in the prices of truck tractors, which enabled us to reduce the age of our fleet for improved efficiencies, but it also lowered the barriers to entry into the domestic market as new players took advantage of lower new and used truck prices and low interest rates to enter the market.

Divisional contribution



Revenue	22%
Operating profit	17%
Profit before exceptionals	18%

Revenue



Fuel cost increases are generally borne by our customers, but the resultant overall increase in transport costs put pressure on margins.

Outsourcing opportunities within the current customer base remains an important source of revenue growth for the future. The advantages of specialisation are converting customers towards outsourcing of non-core activities such as logistics and we have made a strategic commitment to cooperation with our customers to facilitate their supply chain requirements.

Europe

Our European logistics business comprises four operating units:

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

We occupy a strong position in the provision of inbound logistics services to steel mills in Germany through Imperial Reederei and Neska. Panopa is well entrenched with its customers production processes. These ensure the longevity of our business relationships.

Results

Revenue was down following the sale last year of JH Bachmann, a clearing and forwarding agent. Adjusted for the sale of JH Bachmann, Imperial Logistics International was able to grow revenue by 8.6% and operating profit by 30.5%. The operating margin was significantly better at 3.7%, up from 3.1%, substantially because of the disposal of Bachmann. Operating assets increased due to revenue growth and the investments in trailer equipment and the expansion and upgrading of the inland waterway fleet. The return on operating assets declined to 8.1% from 9.6%.

In our European operations, we benefited from the global trend to outsourcing and integrated production systems where Imperial Logistics International has profound knowledge of and experience in the automotive and steel industries. All subdivisions experienced strongly increasing volumes. Rising fuel costs could generally be passed on to the clients.

"When the going got tough in full maintenance leasing with our product being commoditised, we found new ways of differentiating ourselves. We took over entire fleets consisting of cars, small to medium trucks and workshops, and succeeded in adding more value than the pure systems-based fleet management providers. We also assume residual risk and are well able to retail vehicles into the market."

Walter Hill, chief executive of Leasing and Fleet Management

Divisional review

	2006 Rm	2005 Rm	% Change
Revenue	3 028	2 301	32
Operating profit	540	456	18
Net financing cost	196	165	19
Profit before exceptional items	338	283	19
Operating asset	5 171	3 736	38
Non-interest-bearing liabilities	907	540	68
Interest-bearing borrowings	2 870	2 266	27
Capital expenditure	1 837	1 612	14
Operating margin	17.8%	19.8%	
Employees	3 829	1 644	133
Vehicles on lease	18 601	17 027	9
Forklifts on lease	10 651	9 933	7
Earthmoving	1 039		
Vehicles under management	9 714	10 158	(4)
Forklifts under management	878	816	8

Leasing and Fleet Management

This division comprises a number of entrepreneurial business units providing mobility asset solutions to a diverse customer base for passenger, light, medium and heavy commercial vehicles as well as forklifts, warehouse handling and earthmoving equipment.

It owns 30 291 vehicles of which 18 601 are passenger cars and light commercial vehicles, 10 651 are forklifts and 1 039 are earthmoving equipment.

Whilst its roots lie in full maintenance leasing of vehicles to large fleet owners, which indeed still forms a large part of the division, management of the division have defined their market opportunity broader, to include other asset classes, such as forklifts and earthmoving equipment. This brings about a broader range of services including vehicle testing for roadworthiness, operating of assets in opencast mining activities, used vehicle retailing, accident management, roadside assistance and insurance services. These broader services are provided in South and Southern Africa and activities have commenced in Nigeria.

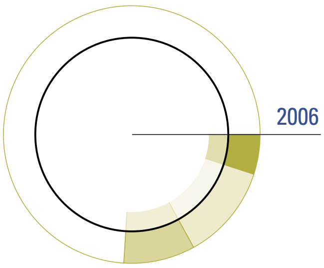
Results

The division's revenue increased by 32% to R3 028 million and operating profit by 18% to R540 million, a strong performance in a difficult market. Profit before exceptional items grew by 19%. The first-time inclusion of the results of MCC made a positive contribution to results.

Market conditions for this division remained challenging, with low inflation, low interest rates and increased competition from vehicle manufacturers in certain of our core markets. Demand for fleet management outsourcing was also sluggish, but the diversity of the division and its new ventures ensured a very respectable performance.

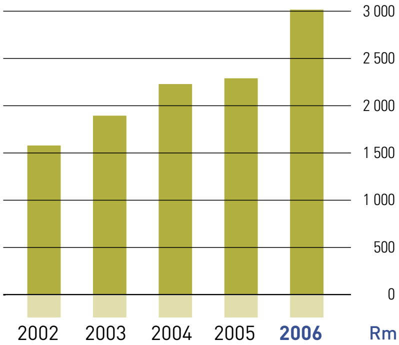
The full maintenance leasing market has declined during the year, but we succeeded in increasing our fleet size, excluding the units added by the MCC acquisition, by 8.5%.

Divisional contribution



Revenue	5%
Operating profit	12%
Profit before exceptionals	9%

Revenue



The performance of our vehicle disposal retail chain, HyperCar, continued to disappoint due to an incorrect inventory mix, softening residual values and inadequate gross margins. The business was restructured, branches were reduced and stock levels have been reduced. The process of turning this business profitable is well on track with 17 remaining outlets.

The forklift business in Southern Africa delivered a fine performance, but the results from Impact Forklift in the UK were below expectation in a tough market. In South Africa, pricing was under pressure due to the strong Rand with price reductions limiting revenue growth to 13% whilst record unit sales were achieved.

We are still supplying vehicles in terms of the RTG contract to certain national government departments under an extension of the contract that officially expired at the end of May 2005. We anticipate some further revenue in our 2006/2007 financial year in terms of this contract.

The unpaid debt of the National Prosecuting Authority remains unresolved. Legal action has been instituted and a positive outcome is anticipated.

The acquisition of a controlling interest in the MCC Plant Hire and Mining Contracting group has proven to be a good strategic fit with our business and has performed to expectation. We are pleased with the opportunities created by this acquisition to expand our exposure to significant infrastructure spending in both the public and private sectors in Sub-Saharan Africa in the foreseeable future.

We expect macro factors such as higher interest rates and vehicle prices to create new opportunities for us in fleet management and to facilitate margin improvement. In addition, we will pursue further opportunities in South Africa and the rest of Africa in other mobility-related industrial, mining and construction equipment.

"It was a tough year for the entire division. We're tackling the restructuring to be a better focused and more streamlined business with enthusiasm. We want to add more value to our customers' requirements. We recently started Imperial Air Cargo in partnership with Comair and intend to build it into the domestic and regional air cargo operator of choice."

Christo Kok, managing director of Safair

Divisional review

	2006 Rm	2005 Rm	% Change
Revenue	3 349	2 699	24
Operating profit	280	265	6
Net financing cost	169	152	11
Profit before exceptional items	174	156	12
Operating asset	3 786	3 304	15
Non-interest-bearing liabilities	606	513	18
Interest-bearing borrowings	2 310	2 328	(1)
Capital expenditure	520	463	12
Operating margin	8.4%	9.8%	
Employees	1 350	1 227	10
Aircraft in fleet (owned)	149	130	15

Aviation

Our aviation division is undergoing a restructuring to lessen its exposure to pure financial leases to airlines. This part of our business has been hurt by Rand strength over the past three years. Aircraft values in Rand terms have declined, as has the Rand value of US$-based income streams.

At the same time, Safair has operated its fleet of Hercules aircraft on specialised contracts very effectively, maintaining and growing its customer base for this highly specialised work on a worldwide basis. We have also traded well in these aircraft.

The division's European-based operations under Air Contractors operate cargo flights for an excellent customer base, including DHL, FedEx, Europe Air Post and the Royal Mail, maintaining a high standard of reliability.

NAC is the leading aircraft sales organisation in the South African general aviation market. It has the distribution rights for Raytheon (Beechcraft and Hawker) in South Africa, the UK, the Channel Islands and the United Arab Emirates and for Bell and Robinson Helicopters in Southern Africa. It owns and operates 43 Air School in Port Alfred, the largest pilot training school in South Africa, and does extensive contract and charter flying to many African destinations.

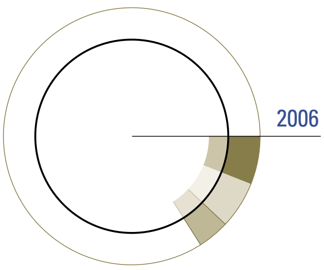
Naturelink specialises in contract flying and aircraft sales with a fleet of more than 40 aircraft.

Safair Lease Finance (SLF) is a joint venture with Sanlam which owns 15 aircraft on lease to SAA, KLM and European Air Transport, part of the DHL group.

Results

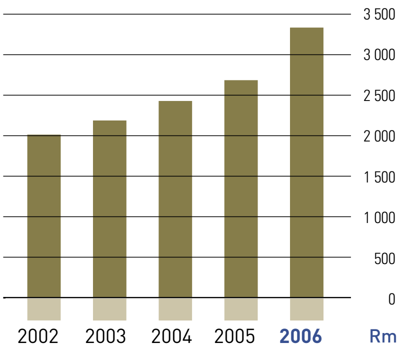
Revenue increased by 24% to R3 349 million and operating profit by 6% to R280 million. Profit before exceptional items increased by 12% to R174 million, and associates SLF and Air Contractors increased their contributions from R31 million to R49 million.

Divisional contribution



Revenue	6%
Operating profit	6%
Profit before exceptionals	4%

Revenue



Safair's results were negatively impacted by continued Rand strength throughout the year, with approximately 55% of revenue being dollar based, despite a significant depreciation in the Rand shortly before year-end. Perversely, the Rand weakness late in our financial year negatively impacted SLF's results on the revaluation of foreign loans and related financial instruments. The total charge for the year in SLF relating to this change amounted to R42 million (2005: Loss of R2 million).

Safair's operational performance improved throughout the year, with improved service reliability in the locally operated fleet and the Hercules fleet. During the latter part of the year, eight B737-200 aircraft reached the end of their dry lease period with SAA and were returned, resulting in some unproductive holding costs. Market conditions have been tough for the sale or lease of the aircraft. Three of these aircraft have been sold, and five have been leased out. The division realised a profit on the sale of aircraft amounting to R40 million (2005: R53 million), including the sale of a Hercules aircraft.

NAC again had outstanding sales and has a good order book for the new year. However, margins have been under pressure due to the strength of the Rand. Poor trading conditions and increased maintenance costs in the contracts market negatively impacted results for both NAC and Naturelink, causing losses at the latter.

Cost-cutting measures, improved processes and procedures have resulted in a significant turnaround in the results of the Air Contractors Group.

In the year ahead, Safair's fleet upgrading plan, aimed at disposing of older aircraft and replacing them with fewer, later-model aircraft on the back of long-term leases, will continue. Further trading in Hercules aircraft will also be pursued.

Contract changes, stabilisation and a fleet review will be the primary focus in NAC and Naturelink, which should result in a significant improvement in their results.

"We have more than just a car rental business. Our wholly owned tourism interests, Springbok Atlas, Grosvenor Tours, Eastgate Safaris and Maui Britz can add significant impetus to our business, especially as we lead up to 2010. Our support businesses like Auto Pedigree and the panelshops give us a meaningful competitive edge in the marketplace."

Osman Arbee, chief executive officer of Imperial Car Rental and the group's wholly owned tourism operations

Divisional review

	2006 Rm	2005 Rm	% Change
Revenue	3 441	3 128	10
Operating profit	507	496	2
Net financing cost	46	27	70
Profit before exceptional items	461	472	(2)
Operating asset	2 312	1 864	24
Non-interest-bearing liabilities	718	501	43
Interest-bearing borrowings	304	163	87
Capital expenditure	1 048	867	21
Operating margin	14.7%	15.9%	
Employees	5 166	4 755	9
Fleet size	11 571	10 090	15

Car Rental and Tourism

Our car rental businesses, Imperial Car Rental, Tempest-Sixt and Europcar combine to have joint market leadership in South Africa. We dispose of our used car fleet through a chain of outlets, namely Auto Pedigree and operate our own panelshops. In addition, we operate a number of wholly owned tourism businesses, including Springbok Atlas, an inbound tour operator with 128 luxury coaches, and a number of niche and vehicle-based tourist operations in Southern Africa. We manage the Maui Britz franchise in Southern Africa which entails the renting of camper homes and 4 x 4 vehicles with a total fleet of 196 units.

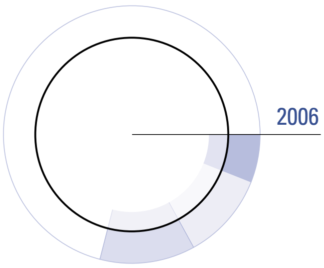
In addition, we own 67% of Tourvest, a listed diversified tourist operator with interests in South Africa and Nigeria in inbound and outbound tourism. Inbound tourist products include destination management in Southern and East Africa and airline duty-free merchandising and tourist retail merchandising through some 80 outlets countrywide. It also has the franchise for American Express traveller's cheques and foreign note exchange.

These businesses combine to create a meaningful exposure to the South African tourist industry which, we believe, has the potential for strong growth in the foreseeable future. Foreign visitors to South Africa relating to the 2010 Soccer World Cup will boost the division's growth, and we are preparing to participate in the opportunities offered by this prestigious and momentous event for South Africa.

Results

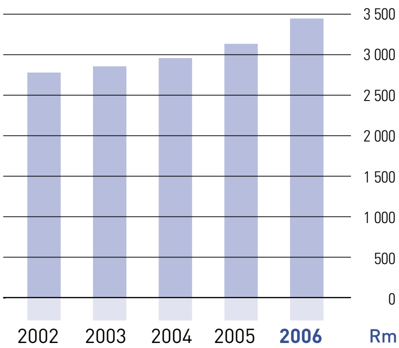
Revenue increased by 10% to R3 441 million and operating profit by 2% to R507 million. Operating profit was impacted by a R41 million once-off reduction in depreciation in the 2005 financial year to bring residual values better in line with disposal proceeds. Excluding this, operating income grew by 11%.

Divisional contribution



Revenue	6%
Operating profit	11%
Profit before exceptionals	12%

Revenue



Revenue growth was satisfactory, given extremely competitive market conditions and an environment where rates were overdiscounted.

Operating profit growth was impacted by a decline in rates, excessive accident costs and reduced profit margins on disposal of vehicles. However, through an increased market presence, Auto Pedigree performed well, increasing revenue and profits.

Our panelshops, which are expanding their capacity, significantly improved profitability through improved cost management. Imperial Chauffeur Drive improved revenue during the year and introduced a new brand focusing on the lower end of the market.

In the tourism market, trading conditions were very difficult with a strong Rand, exacerbated by unacceptable levels of crime. We will continue to expand existing markets and expand into markets in which we are not currently represented. We will also replace and reconfigure our coach fleet in readiness for the expected turnaround in the tourism businesses, aided by an expected weaker Rand.

Tourvest also suffered from Rand strength, but grew its headline earnings per share by 12%. Rationalisation in its inbound division and a good performance by the outbound and retail merchandising divisions supported the results. Profit from American Express foreign exchange was down as a result of a decline in inbound US$ volumes.

"Our product ranges are well suited to the shift in our market towards greater value and smaller vehicles. This will enable us to capture the growth in the emerging market consumers who are looking for alternatives. The trend in South Africa is shifting towards greater choice with better informed consumers and a more competitive market. With our market orientation we are confident we can meet tomorrow's challenges."

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

Divisional review

	2006 Rm	2005 Rm	% Change
Revenue	16 009	9 655	66
Operating profit	1 503	923	63
Net financing cost	113	43	163
Profit before exceptional items	1 307	1 034	26
Operating asset	9 029	5 211	73
Non-interest-bearing liabilities	3 538	2 391	48
Interest-bearing borrowings	2 012	978	106
Capital expenditure	1 127	579	95
Operating margin	9.4%	9.6%	
Employees	7 140	4 571	56

Distributorships

This division is an exclusive importer and distributor of certain passenger cars, trucks, motor cycles and auto parts. Our business model is unique in the sense that we own the vast majority of dealerships for these products, thereby controlling the chain of imports to the end user. We have invested in state-of-the-art dealership facilities and believe that this investment is essential to the success of the various brands and entrenches the long-term relationships between ourselves and our suppliers. The dealerships will also increase their contribution to the division's profits, as the brands mature in terms of the size of their vehicle parques, maximising parts and services income.

In our distribution business, we tapped into the rise in global competitiveness of progressive motor manufacturers which we represent. In truck distribution, the suitability of the International brand of trucks as an American vehicle and the success of DAF and Renault as European manufacturers enabled us to offer an attractive and more complete range of commercial vehicles to the market.

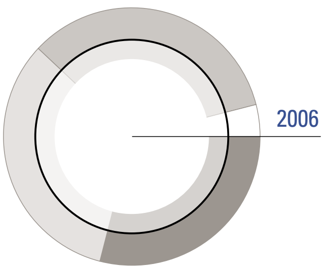
This division also houses Lectrolite, which assembles and distributes NGK sparkplugs, as well as our newly formed South African parts distribution business. Since April, the results of our UK-based Lex group, which comprises 22 truck dealerships and parts logistics businesses, are reported in the division. The truck dealerships performed to expectation, but the parts logistics business requires further restructuring to turn to profitability.

Results

The Distributorships division reported excellent results with a 66% growth in revenue despite margins reducing slightly to 9.4% from 9.6%. Pre-tax profit grew by 26%.

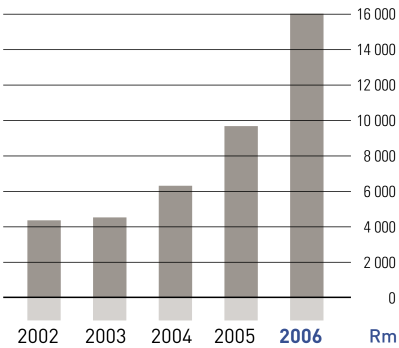
The division took advantage of favourable market conditions in the motor industry, benefiting from sales growth in passenger vehicles, light commercial vehicles, trucks, motor cycles and allied products.

Divisional contribution



Revenue	29%
Operating profit	33%
Profit before exceptionals	34%

Revenue



Significant investment was made in dealerships, warehousing, logistics, staff development and working capital to support the division’s unique business model of combining the distribution function with retail dealerships. The division’s financial services interests grew with the market and reached a level of maturity which increased profitability.

The truck distribution business had a good year, with strong growth in unit sales. This division has also benefited from a growth in the motorcycle market and the especially strong performance of the leisure and sport bike segment.

The nine Ford dealerships in Australia which were acquired late in the previous financial year made a loss and a restructuring of the business is under way.

Lectrolite continued to deliver a steady performance.

"The healthy financial state of the consumer and vehicle affordability has helped us to deliver these results. Households' debt servicing cost to income is still at acceptable levels, although debt levels are reaching historical highs. Sales growth in the twenties will not be repeated, but we still expect the market to grow at an acceptable rate, which would serve our division well. We are also actively seeking further opportunities to sell ancillary products through our delivery channel."

Hubert Brody, chairman of Motor Dealerships

Divisional review

	2006 Rm	2005 Rm	% Change
Revenue	**14 980**	12 073	24
Operating profit	**377**	301	25
Net financing cost	**63**	31	103
Profit before exceptional items	**314**	272	15
Operating asset	**3 269**	2 320	41
Non-interest-bearing liabilities	**1 538**	1 050	46
Interest-bearing borrowings	**393**	121	225
Capital expenditure	**406**	195	108
Operating margin	**2.5%**	2.5%	
Employees	**5 915**	4 705	26

Motor Dealerships

In this division we represent the motor vehicle brands which have a local OEM presence, mainly in South Africa.

The division has a balanced spread of franchises with a particularly strong representation in the Volkswagen, Audi, Daimler Chrysler, Nissan and Honda makes.

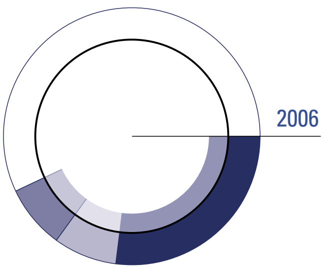
Because the franchise system and the competitive nature of the industry leave individual dealers with little influence over its gross margins, and manufacturers exert significant influence over the dealers' investment in premises, it is necessary for dealers to maximise their income from secondary sources. We have succeeded in growing our contribution to gross profit from parts, service, and other value-added products to a significant proportion of total gross profit. New vehicles constitute one third of our total gross profit. We are constantly exploring opportunities for using the dealership channel to sell additional motor-related products into our customer base. Our recent acquisition of Beekman canopies, effective from 1 June 2006, is a good example of leveraging off our dealer network to improve the competitiveness of an acquired company. We also opened a Renault refurbishment centre in Boksburg, which provides this service to Renault SA. More such opportunities are being sought.

Results

Revenue grew by 24% to R15 billion and operating profit by 25% to R377 million. Finance costs increased mainly due to the division's investments in new facilities, resulting in pre-tax profit increasing by 15% to R314 million.

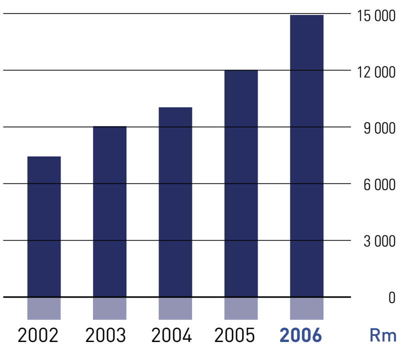
The division had an excellent year aided by healthy consumer demand. Despite high sales volumes, competition was tough, with the release of numerous new models.

Divisional contribution



Revenue 2006:	27%
Operating profit 2006:	8%
Profit before exceptionals 2006:	8%

Revenue



The operating margin remained at 2.5% which is satisfactory in view of static prices and reducing gross margins on new vehicles amidst normal inflationary pressure in our overhead base. At the same time, the used vehicle market was tough as a result of competition from entry-level new vehicles. Income earned from the sale of financial and ancillary products improved to compensate for the above.

Our Daimler Chrysler SA franchises remained the largest contributor to the division's profits, but the result was limited by a number of factors including substantial new investment in dealership facilities. This ongoing investment is expected to yield improved results in the future. All other franchises performed well with newer franchises like Honda beginning to contribute meaningfully and Lindsay Saker having made a meaningful recovery.

We anticipate that recent interest rate increases will cause revenue growth in the division to slow. However, the much larger car parque of vehicles up to four years old should benefit our service and parts businesses.

Throughout the group locally, including sales by our Distributorships, Car Rental and Leasing divisions, the group retailed 102 170 new and 56 166 used vehicles, respectively 33% and 26% more than last year. In addition, it sold 25 285 new vehicles to outside dealers as a distributor, an increase of 93% over last year. The Australian, Swedish and UK operations sold 12 595 new and 4 605 used vehicles. In addition, sales by Imperial's associates, Renault, Tata and a BMW dealership held by Ukhamba (not included in group sales above) amounted to 36 837 units.

"The year seemed to be driven by investment income, but pure insurance profit growth from our established insurance companies has actually outpaced growth in investment returns. The equity markets have pulled back sharply in the last two months of our financial year, giving us a good base for growth in the year ahead. We're optimistic that we can adapt our businesses well to the introduction of the new National Credit Act and emerge as a stronger competitor after its introduction."

Nazeer Hoosen, managing director of Regent Life

"Claims from vehicle theft have declined, but accident claims were high. We are very satisfied with our loss ratio. On sound actuarial analysis and advice, we retained a higher portion of our underwriting risk and benefited from this. We are satisfied with our risk assessment models and the quality of business they produce. We have made an underwriting profit every year since the inception of the company more than 15 years ago. Apart from the motor dealer market, we are building a sizeable broker base, from which we are receiving an acceptable spread of business."

Mike Dickinson, managing director of Regent Insurance

Divisional review

	2006 Rm	2005 Rm	% Change
Revenue	2 622	1 899	38
Fair value gains on investments	273	190	44
Operating profit	589	419	41
Profit before exceptional items	592	420	41
Operating asset	3 742	2 962	26
Non-interest-bearing liabilities	2 280	1 594	43
Operating margin	22.5%	22.1%	
ROE	48.6%	40.2%	
Employees	670	570	18

Insurance

The division comprises Regent Life Assurance, Regent Insurance and Imperial Reinsurance. Regent Life provides convenient purchaser protection policies covering a vehicle buyer against death and disability in respect of his vehicle debt. This is sold through motor dealers and on behalf of vehicle finance banks who view this cover as an important element of their credit protection. It also provides group life cover and has a small but growing individual life business. Regent Insurance provides a range of short-term insurance products in the broader transport and mobility markets. In addition to accepting business through the dealer channel, it has established a broker network for which it underwrites a variety of personal lines cover. Imperial Reinsurance was established recently to provide reinsurance cover to insurers, principally for motor and allied risks.

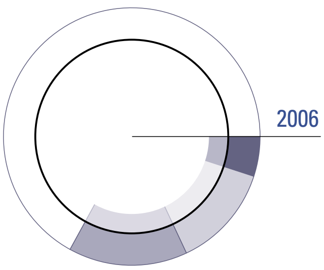
These operations generate significant cash resources which are invested in equities, bonds, properties and cash in South Africa and abroad in terms of mandates given to investment professionals. Investment income is a valuable source of income for the division and the investment climate over the past two years has been particularly favourable to us.

Results

Our insurance operations grew their revenue, consisting of gross premiums received by 38% and pre-tax profit, including underwriting profits and investment income by 41% to R592 million. Investment income and fair value gains on investment assets grew by 38%.

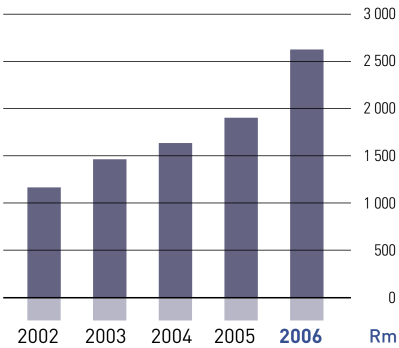
High activity levels in the motor retail industry contributed to strong growth in premium income. Regent Insurance and Regent Life both gained market share and increased profitability over previous years. The highest growth in sales occurred from motor retail operations, where financial services sales are strong and we offer an attractive product range.

Divisional contribution



Revenue	5%
Operating profit	13%
Profit before exceptionals	15%

Revenue



Regent Insurance achieved an insurance result of R117 million (2005: R99 million) and Regent Life R118 million (2005: R84 million). The achievement of good insurance results can be attributed to sound risk management processes.

Investment returns exceeded expectations, despite weakness in the equities markets in the last two months of the financial year. We were exposed to a relatively high equity content in our total investment portfolios, inclusive of cash, which now stands at 59% of the total portfolio of R2 474 million.

We expect that the National Credit Act, which will only begin to materially affect us late in our 2007 financial year, will restrict single-premium business. This business comprises the majority share of credit life business conducted in the dealer-based market. We are prepared for the implementation of the changes brought about by the Act for the furtherance of consumer protection in the industry. As a specialist in the dealer-based market, we expect to gain long-term benefits from this important change in the industry.

"Our vehicle retailing businesses essentially provided the franchise for the establishment of our financial services operations, Regent Insurance, Regent Life Assurance and Imperial Bank. These businesses compete strongly across the entire vehicle-related financial services market in terms of quality of service, price and accessibility, and logically enjoy a good share of the Imperial dealer market. It would have been possible and indeed easier for us to sell finance and insurance through our dealerships in joint venture with established financial service organisations, but we chose to establish our own licensed service providers for better economies and the integration of processes. As a by-product of this decision, our insurance companies and Imperial Bank have added considerable value to us by the creation of non-motor-related financial services products."

Tak Hiemstra, strategy director

Associates

Our principal associates comprise Imperial Bank, Safair Lease Finance, ACL Aviation Limited (Air Contractors), Renault SA and Ukhamba Holdings.

Imperial Bank had an excellent year with our share of profit almost doubling to R179 million. The Bank took advantage of favourable market conditions including low interest rates and a benign credit environment.

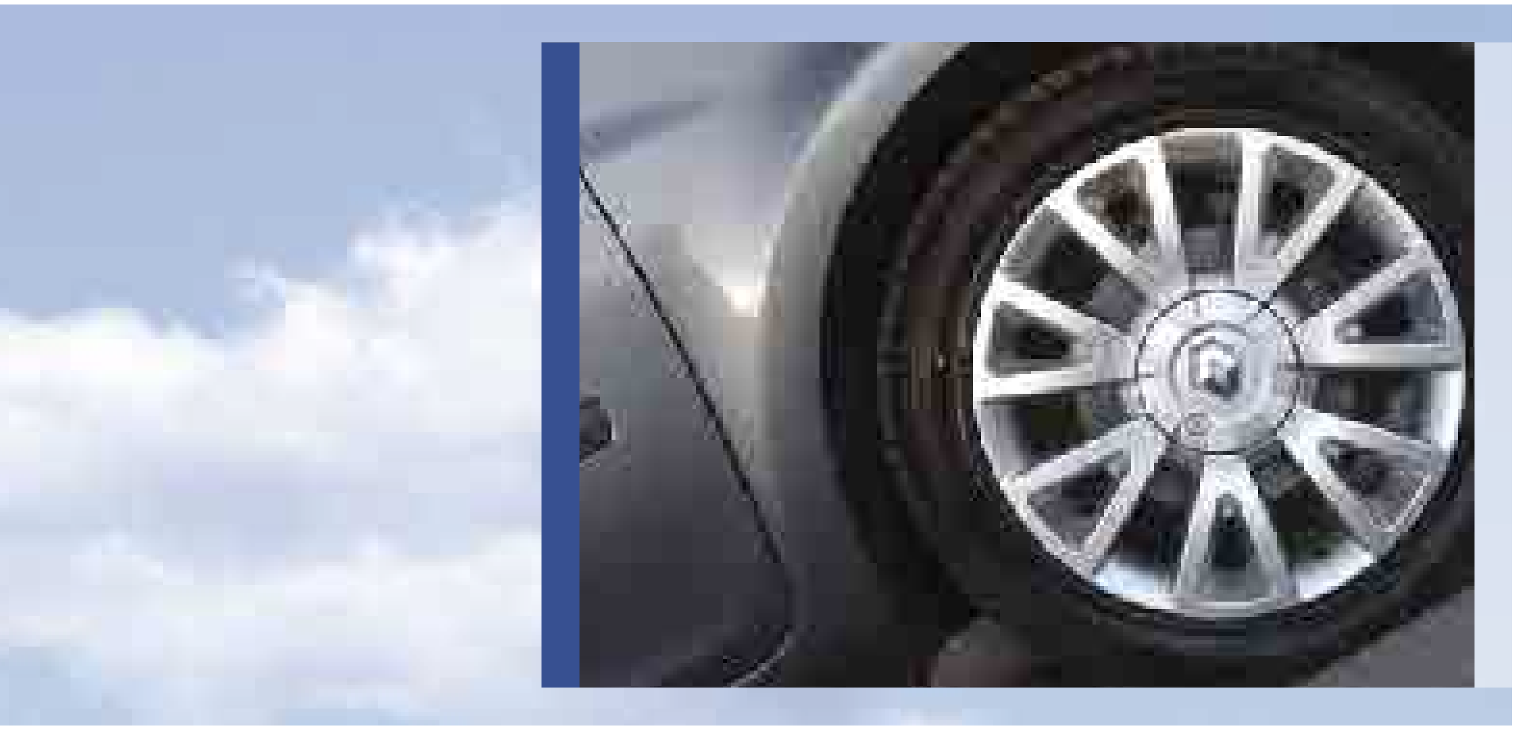
Advances grew by 38% to R23.3 billion of which R14.6 billion is in motor finance. Costs were well contained, amounting to 34.7% of income.

The recent increases in interest rates are likely to slow down the growth in demand for motor vehicle finance, but we are still in a phase of growing from a low base. Demand continues to be strong in the other divisions of the bank. In the second half of the year, bad debts were starting to reflect a more normalised pattern against the unsustainably favourable pattern of the first half.

Renault South Africa was started as a wholly owned distributorship, and we were privileged a few years later to gain the supplier company as a majority shareholder. Renault South Africa benefited from good marketing initiatives and increased its market share under very competitive conditions with an attractive product range.

The group's 50% share in Safair Lease Finance and the Air Contractors group contributed R47 million compared to R31 million last year.

Ukhamba continues to progress and contributed R19 million (2005: R10 million). The bulk of its contribution came from its 34% holding in Dawn Limited, but it has investments in 13 other entities, all of which made positive contributions. Dawn is a highly successful manufacturer and distributor of plumbing, sanitaryware and hardware products.



Black economic empowerment

Imperial concluded two empowerment transactions at group level. In addition, a number of partnerships and consortiums were formed in various of our operations where opportunities presented themselves. In terms of the Ukhamba transaction, approximately 15 000 black employees of Imperial acquired the rights to 10.1% of Imperial ordinary shares over time, in partnership with a community development trust and Imperial itself. A further 1 721 529 deferred ordinary shares converted to listed ordinary shares and to date, 3 461 530 deferred ordinary shares have converted. The fair value of Ukhamba's Imperial ordinary and deferred ordinary shares is R2.1 billion, of which black employees are entitled to 47%, and the community development trust 6%.

The net benefits to broad-based empowerment groupings in terms of the Lereko transaction entered into in June 2005 amount to R125 million. Imperial provided R600 million of the total required funding of R1 435 million for the acquisition of 7.25% of Imperial by Lereko Mobility, and Imperial shareholders provided R458 million by subscribing for redeemable debentures in Lereko Mobility. Financial institutions funded the balance.

In addition, Imperial is making progress in the areas of employment equity, skills development and procurement as is more fully set out in the sustainability report on pages 42 to 60.

Employment

The group employs 39 412 people worldwide, of which 32 978 are in South Africa. Of the increase in employment in the group of 6 716, 5 338 opportunities were in South Africa. Imperial is an equal opportunity employer and strives to create a work environment in which people's ambitions can be fulfilled, and diligence and commitment are well rewarded.

Strategy

The group's strategy has been developed and refined over many years. The first principle of our strategy is to continue doing what we do well, and grow the business in our chosen areas of focus with enthusiasm and ambition.

Core elements of our strategy are to:

- Keep leveraging off existing interests, such as
  - Our massive customer base;
  - Existing skills sets in the organisation; and
  - Supplier connections such as vehicle manufacturers in SA and abroad, banks, and financial institutions.
- Keep devising new ideas and ways of doing old things better.
- Bolt on acquisitions.
- Maintain financial strength, so as never to run out of money for the right opportunities.
- Cautiously build the scale of our international businesses.
- Develop our BEE position.
- Inspire our people towards entrepreneurship, growth and development.

Outlook

We feel positive about the coming year, despite the expected slowdown in consumer spending and its effects on vehicle sales growth. The group has an extensive exposure to the broader South African economy which is well positioned for sustainable growth. Whilst the group benefits from a healthy consumer-led upswing, it also benefits from different economic conditions which are beginning to emerge. A substantial portion of the group's debt carries fixed interest rates, whilst higher interest rates benefit our leasing operations. The residual values of our vehicle fleets are also better underpinned by a weaker Rand, which also provides strong impetus to our aviation and tourism operations.

Internationally, we are well positioned in a strengthening German economy, driven by its growing exports to Asian economies and a relatively strong automotive sector.

Accordingly, we expect another good year of growth in earnings.

Appreciation

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

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

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

Bill Lynch
Chief executive officer

Hafiz Mahomed Financial director

Financial director's report

Imperial Holdings Limited has the financial means to continue its uninterrupted growth path. Notwithstanding capital availability from external sources, internal cash generation continues at a good rate. We have further scope to refine the group's balance sheet to optimise returns to shareholders and we are making good progress to this end.

International Financial Reporting Standards

This is the group's first financial statements under IFRS. The reduction in the opening equity for June 2005 was R1 040 million as detailed in the reconciliation of equity contained in note 3 to the annual financial statements. The reduction in attributable profit for the year to June 2005 was R156 million of which R95 million is a once-off charge relating to the Lereko empowerment transaction. The net impact on equity for the year to June 2005 was R61 million as the R95 million for the Lereko transaction was credited to equity, being a share based-payment.

Income statement

We are satisfied with headline earnings per share rising by 26.1% after a 25% increase last year, bringing the 19-year compound growth rate since listing to 29%. Revenue increased by 27.0% to R54.1 billion against a background of little or no inflation in our high turnover vehicle businesses. The operating margin improved from 8.0% to 8.2%. The main contributor to the margin increase was the Logistics division, internationally due to the sale of the low margin clearing and forwarding business, JH Bachmann, and locally through increased operating efficiencies.

EBITDA, at R6 090 million, was 27.3% up, but after depreciation which increased by 14.7% to R1 792 million, operating profit was 31.3% higher at R4 458 million. Recoupments of depreciation on asset disposal amounted to R160 million, lower than last year's R172 million. The foreign exchange loss of R138 million (R7 million gain last year) was substantially caused by the sharp decline of the Rand during May and June and related to the revaluation of liabilities to suppliers on imports. The positive fair value adjustments of R26 million (R107 million last year) were in respect of the difference between spot rates and rates in terms of forward exchange contracts.

A negative adjustment of R74 million was provided against the embedded derivative instrument relating to the debentures raised for the Lereko transaction linked to the increase in the Imperial share price during the financial year.

The net interest charge was R782 million, an increase of 33.4%, which is in line with the increase in interest-bearing debt.

Income from associates at R282 million was 51.6% higher, boosted by a strong performance by Imperial Bank.

Exceptional items of R53 million were charged, relating mainly to impairments of goodwill compared to the R258 million gain last year, stemming mainly from the sale of businesses.

The effective tax rate was 35.4%, compared to 33.8%. Contributing to the high tax rate was the non-deductibility of R160 million in interest and related charges in respect of the Lereko transaction concluded in June last year, other non-deductible expenditure, the higher tax rates prevailing in our international businesses, STC and underprovisions in respect of prior years, as well as a charge of R36 million in respect of the non-deductibility of trademark write-offs in Tourvest. While this charge was taken to equity in Tourvest, it was charged against Imperial's income statement even though it is a pre-acquisition cost for us. The group also has a contingent liability in respect of an assessment for R382 million which includes penalties and interest relating to an off-shore company. We do not believe this is a valid claim and will oppose the assessment.

Income attributable to minorities increased by 23.3%. The largest minority holdings are in Tourvest and Associated Motor Holdings.

Headline earnings at R2 291 million increased by 18%, and as a result of the lower number of shares in issue after the Lereko transaction (see below), headline earnings per share improved by 26.1%.

Earnings per share increased by 9.9% to 1 198.1 cents from 1 089.8 cents. The final distribution payable in October is 244 cents per share bringing the total distribution for the year to 474 cents per share.

Accounting for the Lereko transaction

This transaction, in terms of which Lereko Mobility, 51% owned by a black consortium and 49% by Imperial, acquired 14.5 million Imperial shares from existing shareholders, is accounted for as a share buy-back. Due to the structure of the funding mechanism, Imperial has to consolidate Lereko Mobility and treat the full number of preferred ordinary shares issued to them as treasury stock, thereby reducing the weighted average number of shares in issue by 14.5 million shares to 187.5 million. Against the reduced number of shares in issue, the full funding cost of the transaction, comprising preference dividends as well as interest and an equity-linked interest bonus on the Lereko debentures, is included as charges to the income statement. Provision was made for the equity-linked interest bonus amounting to R74 million, calculated as 25% of the amount by which the value of an Imperial share exceeds R145.25 in October 2010, multiplied by 14.5 million, being the number of Lereko debentures in issue. In determining this amount, the rise in the Imperial share price from R101.80 in June 2005 to R128.50 in June 2006 was a key determinant.

A once-off charge of R95 million on the Lereko transaction was absorbed in 2005 as a share-based payment in terms of IFRS. This positively impacted on the reported rate of growth in headline earnings per share for 2006.

The total equity settled debt due in October 2010 will be settled by Lereko Mobility utilising its shares in Imperial having the effect of a share issue by the group and therefore having no cash flow impact on the group.

Balance sheet and cash flow

We experienced strong growth in total assets of 35.7% to R37.6 billion. The main elements of this growth are listed below.

- Gross assets from acquisitions of R2 792 million.
- Expansion capital expenditure of R2 662 million, inter alia contributing to the 17% growth in our vehicle fleets from 46 348 to 54 104 units.
- Replacement capital expenditure of R1 104 million.
- Additional working capital requirements for the growth in revenue in our Distributorships division, which by its nature as an importer, distributor and dealer in motor vehicles has a long working capital cycle, as well as strong growth in revenue in the Dealerships division. Combined, these divisions had revenues of R31 billion compared to R21.7 billion in the previous period.
- The funding of R454 million for Imperial shares acquired by employees in terms of the Executive Share Purchase Scheme.
- The cross-currency swap on the Eurobond issue resulted in a financial asset of R267 million which, for accounting purposes, cannot be set off against the interest-bearing debt.

Although capital expenditure for the period was high, the bulk of it was funded by internal cash generation. Cash flow from operating activities increased by 28.4% to R4 255 million. Working capital management was satisfactory, as net working capital increased by only R255 million on revenue which was R11.5 billion higher than last year. Whilst over 70% of cash utilised for investing activities was applied towards the expansion of the group, free cash flow generated increased by 32.5% to R3 151 million. This amount exceeds headline earnings of R2 291 million by 37.5% for a cash conversion ratio of 137.5%.

The group's balance sheet remains resilient due to strong cash generation. Net interest-bearing debt at R9 069 million increased by R2 550 million over 2005 and net gearing remained acceptable at 91% compared to 78% last year. Net gearing, on the basis that the equity settled debt of R794 million relating to the Lereko transaction is treated as equity, is calculated at 78%, compared to 71% on a similar basis last year.

Treasury management

Treasury implements the risk management strategies of the group's asset and liability committee (ALCO) who is responsible for managing liquidity risk, interest rate risk, foreign exchange risk and price risk. The day-to-day management of foreign exchange risk is performed on a decentralised basis by the various business units within the group's hedging policies and guidelines.

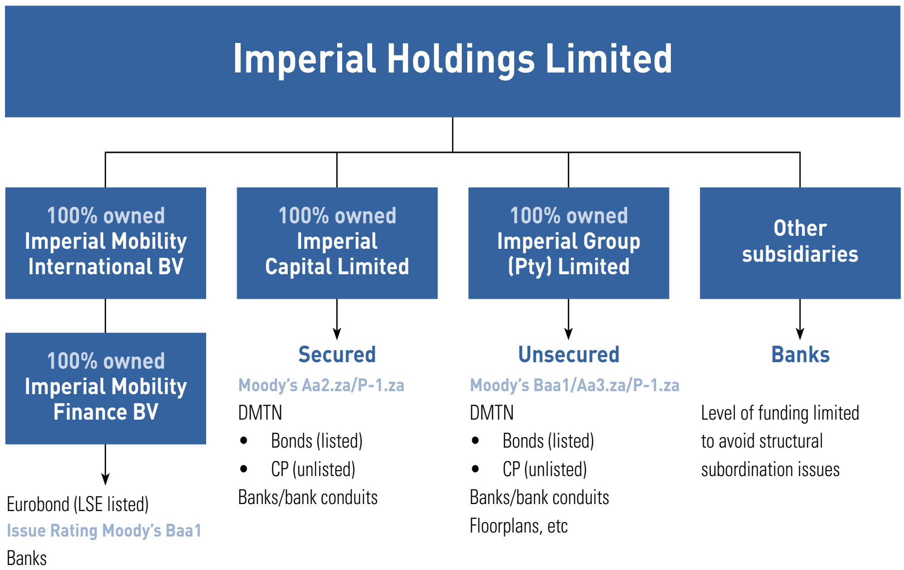
The group's strong liquidity position was further enhanced with an additional R2.3 billion of committed long-term facilities as well as by lengthening the maturity profile of our funding.
During April, we issued our inaugural Eurobond for €300 million with a maturity of seven years through our off-shore finance company, Imperial Mobility Finance BV. The proceeds were mainly used to fund our off-shore operations and the portion which was repatriated to South Africa has been hedged against currency fluctuations.

The group's debt portfolio comprises corporate bonds (57%), commercial paper (21%), term loans (6%) and short-term debt (16%). Bank borrowing facilities of R10.6 billion are in place, of which R5.2 billion is committed with a notice period of 364 days, R800 million with a notice period of 18 months, R500 million for 3 years and R1 billion for 5 years.

Interest rate risk is managed within ALCO directives by matching fixed and floating rate assets and liabilities wherever possible as well as using interest rate derivatives to adjust the repricing profile where necessary. Interest rate risk is modest with an annual impact on the income statement of approximately R10 million pre-tax for every 0.5% movement in interest rates.

The group's centralised cash management ensures the optimal utilisation of cash resources and a similar approach is being considered across all the various offshore entities.

Funding platform



Imperial Capital

Imperial Capital has raised R1 373 million of debt capital during the year, R1 billion by way of four-year corporate paper and the balance in 90-day commercial paper. Its current equity, inclusive of interest-bearing subordinated intercompany funding, amounts to R644 million (see annexure D). It has also registered a R6 billion Domestic Medium-Term Note Programme with the Bond Exchange of South Africa to establish its long-term borrowing capacity. Imperial Capital obtained strong short and long-term credit ratings from Moody's, the long-term rating being one credit level higher than the wider group's main borrowing entity.

Imperial Capital is a ring-fenced entity which owns fleet assets employed in the Car Rental, Logistics and Leasing divisions. R2.1 billion worth of these assets have thus far been transferred to Imperial Capital, giving this company a debt/equity ratio of 213%. When assessing the gearing in Imperial excluding Imperial Capital (on the basis of equity-settled debt being treated as equity), the debt/equity ratio is 70%. Asset growth in Imperial Capital will be phased towards owning most of the group's non-aviation revenue-earning fleets, which amounted to approximately R7.8 billion at June 2006.

We are confident that this entity will gradually start to make a valuable contribution to the debt capital structure and borrowing costs of the group.

Share buy-back

During the year the company repurchased 772 116 ordinary shares at an average price of R130.19. Prior to the year-end, the company concluded a forward purchase agreement to acquire Imperial shares, but no shares had been acquired by 25 June 2006. The company will take delivery of 4 961 389 shares during November 2006 for a total purchase consideration of R655 million. Various options are being considered for the funding of this amount, including the issue of non-redeemable preference shares.

Ratios and measurements

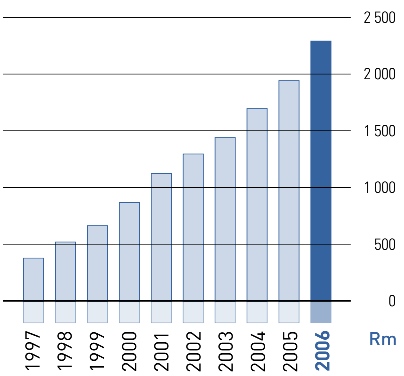
	2006 %	2005 %
EBITDA to revenue	11.3	11.2
Net interest covered by EBITDA (times)	7.8	8.2
Interest cover by operating profit (times)	5.5	6.0
Depreciation to revenue	3.3	3.7
Operating margins	8.2	8.0
Profit before exceptional items to revenue	7.0	7.3
Tax rate	35.4	33.8
Return on average equity	25.6	23.0
Net debt to equity*	91.4	78.0
Net debt to EBITDA (times)*	1.6	1.4
Equity to total assets*	28.7	30.2
Operating profit to operating assets	12.7	13.2
Distribution during the year (cents)	474	395
Headline earnings per share (cents)	1 222.1	968.8
Basic earnings per share (cents)	1 198.1	1 089.8
*If equity settled debt is treated as equity the ratios are:		
Net debt to equity	78.3	70.9
Net debt to EBITDA (times)	1.5	1.4
Equity to total asset	30.8	33.2

Ten-year review

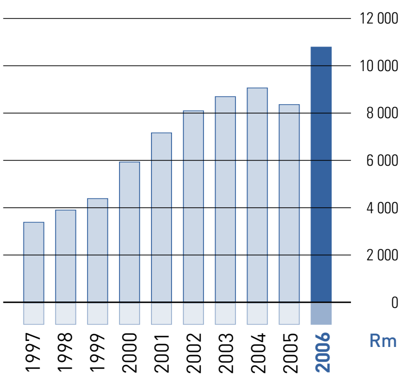
	10-year compound growth	2006 Rm	Restated 2005 Rm
INCOME STATEMENT – HEADLINE EARNINGS			
Revenue/turnover	22	54 105	42 605
Profit from operations before the following:		5 904	4 898
Depreciation, amortisation and recoupments		(1 632)	(1 390)
Net financing costs		(782)	(586)
Income from associates and joint ventures		282	186
Profit before taxation	21	3 772	3 108
Income tax expense		1 234	989
Profit after taxation	21	2 538	2 119
Impairment of property, plant and equipment, net of taxation		8	
Profit on disposal of property, plant and equipment, net of taxation		(10)	(5)
Taxation on exceptional items		(1)	22
Goodwill, net of taxation			
Minority interest, excluding share of exceptional items		(244)	(195)
Headline earnings attributable to shareholders	20	2 291	1 941
BALANCE SHEET			
Intangible assets		945	622
Investments and loans		3 810	2 699
Property, plant and equipment		4 231	2 781
Transport fleet		2 570	2 449
Leasing assets		6 443	5 074
Vehicles for hire		896	790
Deferred taxation		426	339
Banking and other advances			
Other non-current financial assets		718	412
Inventories		7 535	5 586
Trade and other receivables		8 248	5 752
Taxation in advance		108	128
Cash and cash equivalents		1 630	1 043
Total assets	22	37 560	27 675
Equity-settled interest-bearing debt		794	
Insurance contracts		1 331	978
Deferred tax liabilities		941	695
Banking liabilities			
Interest-bearing borrowings		10 699	7 562
Other liabilities		13 008	10 084
Total liabilities		26 773	19 319
Net assets		10 787	8 356
FUNDED BY			
Imperial's shareholders		10 002	7 890
Minority shareholders		785	466
Total shareholders' equity	12	10 787	8 356
SHARE PERFORMANCE (cents per share)			
Headline earnings per share *	19	1 222.1	968.8
Dividends per share #	18	474.0	395.0
Net asset value per share	11	5 330.3	4 244.2
Market prices			
– Closing	8	12 850	10 180
– High		17 600	10 850
– Low		10 000	6 650
Market capitalisation at closing prices (Rm)	9	26 715	20 909
Value of shares traded (Rm)		23 158	10 596
Value traded as a percentage of average capitalisation (%)		97.3	59.6
NUMBER OF EMPLOYEES		39 412	32 696
KEY RATIOS			
Operating margin		8.2%	8.0%
Return on average ordinary shareholders' interest (headline)		25.6%	23.0%
Total shareholders' equity to total assets		28.7%	30.2%
Net interest-bearing debt as a % of total shareholders' equity ~		91.4%	78.0%

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

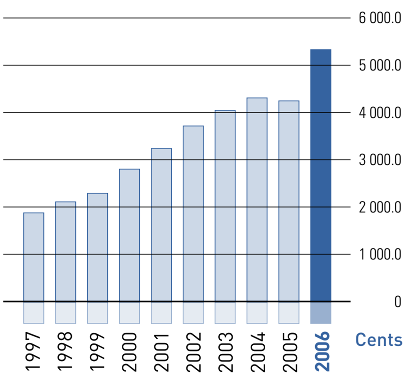
Headline earnings



Total shareholders' equity



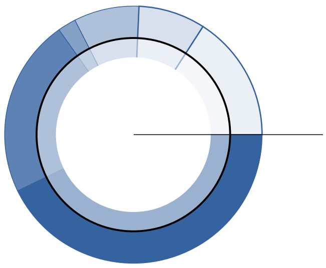
Net asset value per share



2004 Rm	2003 Rm	2002 Rm	2001 Rm	2000 Rm	1999 Rm	1998 Rm	1997 Rm
34 747	32 277	28 122	21 874	14 944	9 913	8 739	7 239
3 954	3 741	3 364	2 672	1 914	1 577	1 146	732
(1 256)	(1 216)	(1 078)	(824)	(612)	(539)	(345)	(179)
(478)	(555)	(500)	(428)	(177)	(192)	(105)	(15)
228	167	65	42	21	5	30	11
2 448	2 137	1 851	1 462	1 146	851	726	549
692	606	484	291	238	187	197	167
1 756	1 531	1 367	1 171	908	664	529	382
(9)	(9)	(4)	(5)	(3)	(2)	(2)	(4)
59	58	50	16				
(112)	(142)	(119)	(60)	(39)	(1)	(10)	(3)
1 694	1 438	1 294	1 122	866	661	517	375
488	504	606	280	23			
2 660	1 989	1 903	1 944	849	594	1 087	858
2 311	2 180	2 109	1 544	1 173	797	666	501
4 785	1 881	1 556	1 205	858	610	435	343
2 150	4 713	4 532	3 388	2 327	1 595	1 095	831
734	735	580	538	446	361	289	252
275	247	348	133	87			
				3 087	2 100	1 421	591
3 729	3 551	2 772	2 538	1 554	1 200	1 050	910
4 769	4 480	4 142	3 249	2 824	1 443	978	708
98	61	90	49	49			
1 261	1 298	1 472	1 508	1 099	1 330	531	325
23 260	21 639	20 110	16 376	14 376	10 030	7 552	5 319
833	566	428	247	209	240	268	224
630	531	489	232	166	79	53	39
				1 605	1 503	735	53
6 576	6 135	5 901	4 110	3 068	1 889	978	324
6 161	5 715	5 201	4 629	3 403	1 941	1 627	1 304
14 200	12 947	12 019	9 218	8 451	5 652	3 661	1 944
9 060	8 692	8 091	7 158	5 925	4 378	3 891	3 375
8 618	8 199	7 658	6 975	5 854	4 361	3 888	3 346
442	493	433	183	71	17	3	29
9 060	8 692	8 091	7 158	5 925	4 378	3 891	3 375
835.9	700.2	608.8	527.6	435.4	352.2	283.8	216.7
315.0	265.0	230.0	190.0	167.6	125.0	108.0	88.0
4 306.8	4 040.9	3 712.1	3 235.2	2 796.9	2 285.6	2 104.7	1 871.4
6 712	5 399	5 430	6 750	5 530	5 900	6 100	6 100
7 150	5 750	7 000	6 850	7 800	6 190	7 000	6 100
5 250	4 300	4 375	4 950	4 500	3 105	5 000	4 025
14 676	11 703	11 739	14 553	11 576	11 256	11 270	10 908
5 738	5 249	5 896	5 036	5 376	3 621	2 492	1 239
43.5	44.8	44.8	38.5	47.1	32.2	22.5	13.5
29 528	26 897	27 162	25 036	23 935	18 696	17 204	13 532
8.3%	8.1%	8.1%	8.4%	8.7%	10.5%	9.2%	7.6%
20.3%	18.1%	17.7%	17.5%	17.0%	16.0%	14.3%	12.5%
39.0%	40.2%	40.2%	43.7%	41.2%	43.6%	51.5%	63.5%
58.7%	55.6%	54.7%	36.4%	33.2%	12.8%	11.5%	0.0%

Shareholders’ information

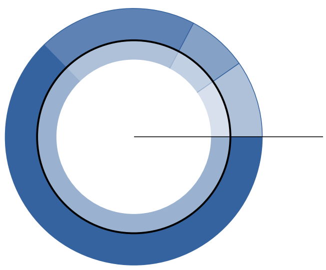
Shareholder type (%)



- Financial institutions, pension and provident funds 42.8%
- Unit trusts 22.4%
- Individuals 2.3%
- Directors and employees 8.2%
- Corporate holdings 8.4%
- Empowerment shareholding 15.9%

Shareholder type	Number of shares (000)	% of voting shares
Financial institutions, pension and provident funds	95 632	42.8
Unit trusts	49 895	22.4
Individuals	5 159	2.3
Directors and employees	18 247	8.2
Corporate holdings	18 710	8.4
Listed ordinary shares net of treasury stock	187 643	84.1
Deferred ordinary shares	21 015	9.4
Preferred ordinary shares	14 517	6.5
Total shares in issue net of treasury stock	223 175	100.0
Treasury stock	20 253	
Total shares in issue	243 428	

Distribution of shareholders (%)



- Public shareholders 62.7%
- Shareholder holding more than 10% 20.0%
- Directors, their associates and employees 7.6%
- Treasury stock 9.7%

Distribution of shareholders (listed ordinary shares)	Number of shareholders	Number of shares (000)	% of shares listed
Public shareholders	7 152	130 285	62.7
Non-public shareholders			
Shareholder holding more than 10%	1	41 613	20.0
Directors, their associates and employees	150	15 745	7.6
Treasury stock	1	20 253	9.7
	7 304	207 896	100.00

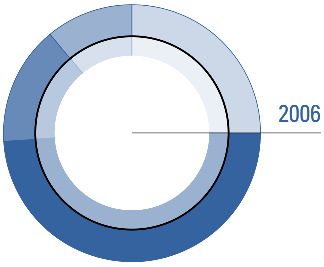
Holdings	Number of of shareholders	%	Number of of shares (000)	%
1 – 2 500	6 056	82.91	3 228	1.55
2 501 – 5 000	380	5.21	1 348	0.65
5 001 – 10 000	201	2.75	1 470	0.71
Over 10 000	667	9.13	201 850	97.09
	7 304	100.00	207 896	100.00

Shareholdings of more than 5%	Share class	Number of shares (000)	% of issued capital
Public Investment Corporation Limited	Ordinary	41 613	18.65
Sanlam Limited	Ordinary	14 329	6.42
Old Mutual Life Assurance Company (SA) Limited	Ordinary	11 591	5.19
Ukhamba Holdings (Pty) Limited	Ordinary	1 740	0.78
Ukhamba Holdings (Pty) Limited	Deferred Ordinary	21 015	9.42
Lereko Mobility (Pty) Limited	Preferred Ordinary	14 517	6.51

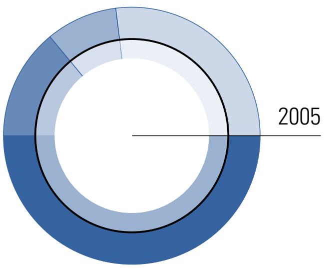
Directors' interests of more than 1%		Number of shares (000)	% of issued capital
WG Lynch	Ordinary	9 540	4.28

Stock exchange performance	2006	2005
Number of shares in issue (million)	208	205
Number of shares traded (million)	166	114
Value of shares traded (R million)	23 158	10 596
Market price (cents per share)		
– Closing price 23 June	12 850	10 180
– High	17 600	10 850
– Low	10 000	6 650
Earnings yield %	9.5	10.3
Price: Earnings ratio (based on headline earnings)	10.5	9.7

Value-added statement for the years ended 25 June



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



●	Employees	50%
●	Providers of capital	14%
●	Government	9%
○	Reinvested in the group	27%

	2006 Rm	%	Restated 2005 Rm	%
Revenue	54 105		42 605	
Paid to suppliers for materials and services	42 441		32 719	
Total wealth created	11 664		9 886	
Wealth distribution				
Salaries, wages and other benefits (note 1)	5 760	49	4 988	50
Providers of capital	1 766	15	1 351	14
– Net financing costs	782	7	586	6
– Dividends and and capital distributions	984	8	765	8
Government (note 2)	1 249	11	889	9
Reinvested in the group to maintain and develop operations	2 889	25	2 568	27
– Depreciation, amortisation and recoupments	1 632	14	1 390	14
– Future expansion	1 257	11	1 268	13
	11 664	100	9 886	100
Value-added ratios				
– Number of employees	39 412		32 696	
– Revenue per employee (R000)	1 373		1 303	
– Wealth created per employee (R000)	296		302	
Notes				
1 Salaries, wages and other benefits				
– Salaries, wages, overtime, commissions, bonuses, allowances	4 850		4 194	
– Employer contributions	910		794	
	5 760		4 988	
2 Central and local government				
– SA normal taxation	981		665	
– Secondary and withholding taxation	34		16	
– Foreign taxation	65		64	
– Regional services council levies	59		55	
– Rates and taxes	55		37	
– Skills development levy	23		16	
– Unemployment insurance fund	32		36	
	1 249		889	

Sustainability report

Index

Sustainability report

Chief executive officer's message

Imperial Holdings Limited, like any other business, faces ongoing challenges in meeting the needs of its customers, its employees and its investors, to name but a few. The group's growth into the future presents its own challenges with regard to access to resources, the development of new businesses and expansion in growth regions outside the group's traditional areas of business. As an international group, Imperial is well placed to play a part in advancing sustainable development.

Our sustainability strategy recognises that near-term business success and sustainable growth over time goes hand in hand with the long-term sustainability of our economic, environmental and social efforts. For this reason, we do not view the non-financial aspects of sustainable business performance and financial performance as opposing forces in our business, but rather as inextricable components that together create a greater whole. We therefore always strive to harmonise economic, environmental and social objectives.

During the past year, we continued to refine our systems to measure the group's non-financial impacts. Sustainability and the reporting thereof is as much a journey as any other part of a business. We also recognise that, although the sustainability challenges faced by our business are to a great extent universal, priorities and perspectives vary from region to region and also the industry involved. Each of our business units therefore has its own initiatives within the sustainability arena, designed to address areas of importance in that business and the community in which it operates.

At group level, we have enhanced our interaction with investors and other key stakeholders including employees and regulators. In keeping with the group's philosophy to empower local and divisional management, divisions and business units also identify and engage stakeholders relevant to their business and industry within agreed guidelines.

Achievements of the group on the sustainability front include:

- The second tranche of 1 721 529 deferred ordinary shares owned by Ukhamba converted to ordinary shares bringing the total number of ordinary shares owned by Ukhamba to 3 461 530 with a value of almost R450 million (R130 share price). This represents unencumbered wealth created for the benefit of 15 000 of Imperial's historically disadvantaged employees and deprived communities amounting to R239 million. In addition, dividends in cash are paid to those employees and the Imperial and Ukhamba Community Development Trust;
- The inclusion of the group in the JSE's Socially Responsible Investment (SRI) Index for the second year;
- The introduction of enhanced trend analysis and monitoring mechanisms in an effort to reduce the number of road accidents and fatalities involving the group's extensive transport fleets; and
- Substantial progress made towards compliance with black economic empowerment codes.

This report was compiled using 2002 Global Reporting Initiative (GRI) guidelines and whilst it is not in full accordance with the GRI guidelines, we are 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

29 August 2006

Contact details and further information

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

Profile

Organisational profile

Imperial is listed on the JSE and is part of the ALSI 40 index. The operational structure, description of the major divisions and markets served and the geographical areas of operation of the group are outlined on pages 14 to 28 and 80 to 83 of this report.

Information regarding the scale of the Imperial group is contained in the 10-year review on page 36, the value-added statement on page 40, note 28 on page 110, the employment section in annexure E, and the notes to the financial statements.

Scope

This report was compiled for the financial year ended 25 June 2006 and is the third report of this nature to be released by the group.

Imperial's businesses in Africa, Australia and Europe have been included in this report. The Lex businesses acquired in the latter part of the year from the RAC in the UK will be included in the next report. Tourvest has been included although it is a separately listed entity, based on its size and the majority shareholding of Imperial in Tourvest.

Impacts related to entities not controlled by the group have been excluded on the understanding that they will be reported separately by the managing entities. Leased facilities are treated for reporting purposes as if the group owned them.

Report profile

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

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

Due to the decentralised management structure of the group and the diverse nature of the operating businesses in the group, information is recorded and reported on in different formats. 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

Structure

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

The composition of the board and of its 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 61 to 66 of this report. Information regarding the remuneration policies and practices of the group is contained in the remuneration report on pages 72 to 75 of this report.

Stakeholder engagement

Imperial's interaction with stakeholders reflects our unique culture and business model. We seek to maximise shareholder value over time through an intelligent regard for the interests of other stakeholders, including our employees, the communities associated with our operations, our customers and our business partners. Our divisions are well equipped and placed to engage stakeholders. Examples of the engagement activities are found throughout this report.

During the past few years, we have significantly enhanced the level of our interaction with stakeholders, recognising that the survival of every business depends on its stakeholders, just as they depend on the business.

The group furnishes information to the public and its shareholders based on considerations 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

Sustainability report

strategy and performance of the group are held on a regular basis. Shareholders also have the opportunity to put questions to the board at annual general meetings.

Stakeholders in the group include investors, potential investors, employees, trade unions, customers, contractors, suppliers and government departments. A list of the primary investors in the group is contained on pages 38 and 39 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.

We value our people and recognise that successful businesses are built on loyal, motivated and happy employees.

Policies and management systems

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 and the community in which it operates. This stems from the group's philosophy to empower local and divisional management who are best placed to identify and engage stakeholders on virtually all levels and to ultimately make decisions within agreed guidelines, based on the understanding so gained.

Our Code of Ethics

It is a core value of Imperial to act with uncompromising honesty and integrity. This Code of Ethics provides guidance to all staff, management and directors of Imperial and its subsidiaries to ensure adherence to this core value.

Whilst the Code provides a broad range of guidance, no Code can address every situation that individuals are likely to encounter. As a result, this Code is not a substitute for employees' responsibility and accountability to exercise good judgment and obtain guidance on appropriate business conduct.

At all times we shall:

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

Economic indicators

Our business model has enabled us to generate consistently superior returns over time. Imperial has an unbroken growth record and has grown its revenue and profit every year since it was listed in 1987. Impacts of the group include direct and indirect impacts in relation to employees, government, suppliers, customers and providers of capital. The direct impacts of our business on stakeholders is however probably less significant than the indirect impact of our role as a synchroniser of commerce. We did not benefit from or rely on any 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. Our policy is to make payments in accordance with agreed terms.

The group sees itself as a significant contributor to commerce in general and recognises that sustainable development is built on sound economic performance. Mobility, the group's core business, is a vital part of economic growth, both locally and internationally, without which no development would be possible. We aim to run a continuously viable business that will enable us to positively impact our stakeholders.

Some information regarding the scale of Imperial's operations is included in the table below:

	2006	2005	% change
Revenue (Rbn)	54.1	42.6	27%
Vehicles retailed	175 536	125 583	40%
Owned fleets	54 104	46 348	17%
– Motor vehicles	37 201	31 347	19%
– Forklifts	10 651	9 933	7%
– Trucks	5 213	5 068	3%
– Earthmoving equipment	1 039		
People employed	39 412	32 696	21%
Jobs added	6 716	3 168	112%
Invested in future expansion (Rbn)	3.4	2.2	55%

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

Social indicators

Imperial has been expanding since its listing in 1987, a feat that it could not have accomplished without respect for individuals and high standards of ethical behaviour. We are ever mindful of these fundamental responsibilities towards all stakeholders, be it shareholders, employees, customers or competitors. We realise that no business can exist for its own sake or for the benefit of a single stakeholder alone and we always strike a balance between returns to shareholders and our social responsibilities as a responsible corporate citizen.

Employment

Imperial employs close to 40 000 people and relied on these people to sustain its growth and its contribution to society. Indeed, without the support of its loyal employees and their families, the group would have looked entirely different today. 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.

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

Breakdown of workforce	2006	2005
Geographical		
South Africa	32 978	27 640
Rest of world	6 434	5 056
Total	39 412	32 696

Further details regarding employment by Imperial are included in annexure E to the financial statements.

Labour/management relations

Percentage of employees represented by unions or collective bargaining agreements

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

Employee relations policy

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

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

The rights of employees as individuals are protected whilst structures are put in place for the maintenance of discipline in the workplace and the fair resolution of grievances.

Employees have the right to associate with employee organisations of their choice and to expect 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.

Sustainability report

Maintenance of healthy relationships with trade unions, particularly those recognised as representative of a particular segment of the group's workforce, is very important to us. In accordance with the group's philosophy of decentralised management, it is the group's policy that the responsibility for sound labour relations is that of each business in the group and 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 such changes have an impact on employees.

We also expect our contractors and suppliers to subscribe to the same principles as Imperial.

Employment equity

Equity and practices

Ultimately, the group's employment equity strategy is not just a legal requirement but an integral part of our business strategy. We are actively pursuing equity targets and aim to improve our position on a continuous basis. The group is committed to providing equal opportunities for its employees regardless of their ethnic origin or gender.

Imperial 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. All business units in South Africa have formalised their employment equity policies and submitted plans to the Department of Labour. Each company in the group compiles and submits its own progress reports to the Department of labour in terms of the Employment Equity Act.

The group's employment equity programme includes:
- Recruitment programmes to employ talented employees from historically disadvantaged groups at all levels.
- The implementation of human resource development programmes which are aimed at enhancing the skills of employees from historically disadvantaged groups.
- Accelerating the advancement of historically disadvantaged employees to all levels in the organisation.
- Compliance with applicable legislation and targets.

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

The group is committed to providing equal opportunities for all employees and making 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 subscribes to the following principles:
- To strive constantly for the elimination of discrimination from the workplace.
- The advancement of HDSA's through group-wide employment equity programmes and skills development programmes.
- The economic empowerment of HDSA's with emphasis on Imperial's own employees but also the broader community.
- The social upliftment of HDSA's.
- To strive constantly for 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 and 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.
- Providing training programmes and/or facilities for improving the productivity and skills of employees who demonstrated 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 within its sphere of influence and places great emphasis in 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.

Reporting

In compliance with Section 22 of the Employment Equity Act, annexure E 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 strategy. HRD plans are integrated with the business plan, assessed, reviewed and revised. These plans comprise 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 R71 million (2005: R47 million) in training during the past financial year.

Annual training

	Hours 2006	2005
Senior management	13 467	12 330
Middle management	68 447	49 671
Professional, production and technical staff	510 024	530 381
Administrative staff	92 276	90 916
Maintenance	62 592	41 860
Total	746 806	725 158

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

- 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 development programmes. Approximately 180 employees and/or members of their families participate in this programme annually.

- The logistics division has a well-developed learner driver's programme in which learners are trained to attain the National Certificate as professional drivers. Imperial has budgeted to have 90 learners p.a 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.

- 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.

- 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.

- 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.

- In the Aviation 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.

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

Sustainability report

Empowerment

Black economic empowerment is viewed as a strategic imperative in the group and for this reason is managed and co-ordinated 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 meaningfully in wealth creation resulting from economic activities.

Imperial's black economic empowerment policy

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

Imperial's BEE policy is based on the following principles:

- Imperial accepts the economic contribution of individual entrepreneurship given the socio-economic makeup of the South African society and believes BEE should be broad based and as inclusive as possible in order to ensure that previously disadvantaged communities benefit as widely as possible from BEE 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 BEE can only be achieved through increased economic growth and the continued growth of its business therefore remains a priority. Without sufficient growth, BEE will be relegated to mere wealth redistribution.
- Human resource development and skills transfer is a critical component of BEE and underpins the successful implementation of any BEE 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 BEE 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 are not concentrated solely on equity but also extend to all other areas of the business from enhancing representation at board level to areas such as BEE procurement and skills development. The group is committed to transformation and empowerment and will continue to pursue and enhance all facets of empowerment in its businesses.

The primary components of Imperial's BEE programme are summarised below:

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 BEE.

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

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

Independent studies indicate that Imperial's aggregate indirect effective BEE shareholding, held through a number of institutional shareholders who manage and administer funds on behalf of HDSA's, is currently in excess of 20% and together with its direct black shareholding of 16.6%, the total black shareholding is in excess of 36.6%. Imperial's aggregate direct and indirect BEE shareholdings meet the requirements of most finalised BEE charters as well as those draft charters that are still being negotiated.

Enterprise development
Imperial is involved in a number of enterprise development initiatives. Two examples of this are Amasondo Fleet Services and Ukhamba.

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

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

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

Ukhamba was established in the interest of the black, Indian and coloured employees working within the Imperial group. Two financial schemes were developed to empower them financially for the future.

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

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

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

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

  During March 2004, units in the B Scheme were allocated to 15 000 black, Indian and coloured employees then employed by the Imperial group. All of the B Scheme holders automatically became beneficiaries of the Ukhamba Trust. These units were awarded according to the length of service with the Imperial group. The current value per unit amounts to R21 031. The first dividends were paid to participants in November/December 2005 and another dividend will be paid in the last quarter of this year.

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

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

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

Sustainability report

During the year, Ukhamba continued to grow its investment portfolio and, in addition to its shareholding in Imperial, acquired a number of other investments. Its income was also boosted by solid returns from its shareholdings in Distribution and Warehousing Network (DAWN) Limited, acquired from Imperial during the previous year. Ukhamba's investments now include:

Investment	% shareholding
Amasondo Fleet Services	51
Citroen Motor Distributorship	10
Distribution and Warehousing Network	34
Evergreen	33
Executive Carports	100
Fuelogic	31
Guiricich Construction	20
Ikaheng Human Resource Services	100
Mi Nett Data Systems	49
Pandae Storage Systems	49
Proteam Panel beaters	49
RTG Fleet Services	5
TATA Motor Distributorship	20
Ukhamba Auto BMW	51
Via Capital	26

BEE procurement

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

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

SMME development and job creation

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

Although the group has grown considerably through acquisition, a large number of new positions were created by organic growth in its divisions. Imperial now employs 39 412 people.

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

Corporate social investment

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

Imperial and Ukhamba Community Development Trust (the Trust)

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

As its flagship project, the Trust is providing assistance to two primary schools in Vlakfontein near Soweto, Igugulethu with 820 pupils and Inkululeko Yesizwe with 910 pupils. The aim of the Trust is to improve the literacy levels of the children and also uplift the community by making an investment in the teachers and the children by providing them with the necessary aids and equipment. The situation at these schools is similar to the rest of the disadvantaged communities with few or no textbooks, insufficient equipment and materials, too many pupils per classroom – 60 to 70 per class – prefabricated classrooms and no sports facilities. Up to 40% of the children at these schools only have one parent and many of them have no parents.

Ukhamba has an agreement with the Department of Education to support these schools in the best possible manner. The Trust remains in control of the finances and assists the schools with teaching aids. The two schools are visited regularly, ensuring that the children are progressing. A teacher is employed by the Trust to ensure that the programme is running smoothly. The Trust is committed to ensuring that both the schools are in a position to offer the best education possible to all the learners and will assist wherever possible. The school building consists of 23 classrooms, an administration block as well as an ablution block.

Due to the fact that the project cost exceeds the available funds of the Trust, Imperial agreed to contribute a further R6 million to fund the upgrading of infrastructure at the schools. This cost is being shared by the operating divisions of Imperial.

Achievements to date include the following:

- Upgrading of classrooms;
- Teacher training: workshops and short courses;
- Computer training;
- Excursions for the children;
- Maintenance of school: painting and paving of the school;
- Textbooks, equipment, stationery and materials; and
- Play area for the children.

The Trust has also provided the schools with photocopiers, science equipment, maths equipment, reading materials in English, Zulu and Sotho, overhead projectors and much more. During 2005 a library book drive took place to collect books for these two schools. Staff members from the Imperial group participated eagerly and books to the value of R16 200 were collected. Each school received 1 200 books.

Additional donations were received from individuals and companies, which included books, soccer kits and personal hygiene materials. Sports equipment was provided to those children participating in sporting activities, and Evergreen Lawns (Pty) Limited, an associate company of Ukhamba, has agreed to provide lawns for the soccer fields and surrounding areas to make it more enjoyable for the children to play. The netball courts have also been improved. The Trust is also sponsoring the Grade R class at the Inkululeko Yesizwe Primary School, providing necessary teaching materials and subsidising the teachers' salaries.

Nelson Mandela Children's Fund
Europcar is proud to be an official benefactor of the Nelson Mandela Children's Fund, an organisation founded by former South African president Nelson Mandela, in 1996.

As official sponsor to the Fund, Europcar donates a percentage of the revenue earned from each rental to the Fund. The staff at Europcar also contribute to a staff fund from which they buy food and clothes to take to rural communities and schools. An amount of approximately R4 000 per month is collected and used for purchases. One such school benefiting from this is the Phumelela Primary School, where 300 children are educated. Europcar delivers staple food and clothing to the school on a weekly basis. This school is based in an informal settlement. Food parcels are distributed regularly to needy children, including during Christmas. Europcar, through the Nelson Mandela Children's Fund, wants to give these children hope for the future.

Europcar has contributed a total of R2 million over the past nine years, and for this financial year they are contributing R300 000 to the Fund. Europcar was also recently awarded lifetime membership of the fund having been awarded President Club membership in 2003. Apart from the monetary contributions, Europcar also contributes equipment, food and clothes to those who need it, as well as a helping hand. In this way, the principles of the Fund are being continuously supported as a reflection of Europcar's dedication towards the upliftment of the children of South Africa. As Mr Mandela said at his moving and powerful speech at the Fund's launch, "The Fund provides a way in which people, including myself, can make their own direct contribution to alleviating the plight of young people in need."

Epworth Children's Village
This children's home is situated in Lambton, Germiston and was established in 1918. They look after children of all ethnic groups and offer an intensive residential therapy programme for approximately 90 children who stay there on a long-term basis. Many of the children are infected or affected by HIV/AIDS, and this welfare organisation is committed to giving them the life they never had. Cargo Commercial Vehicles (CCV), a member of the Imperial group, adopted Epworth as its primary social responsibility project. CCV became actively involved with Epworth after raising R46 000 for them at a year-end function in 2004. These funds were used to take the children on an outing and to start renovations on the building. Regular donations of fresh produce were also secured for the children's home. In 2005 an auction was organised at the Cargo Commercial Vehicles dealership where loyal customers and business partners were invited to involve them in CCV's fundraising efforts for Epworth. This was a great success and R50 000 was raised for the children's home. The total cost of renovations at the home amounts to R200 000, and with the money raised thus far the ground floor has been renovated and the roof will be repaired next. Besides funds, CCV also supplies clothes, blankets and food to the home and staff visit the children regularly.

Sustainability report

Empowerment of local artists

National Airways Corporation (NAC) helps empower artists in and around the Lanseria area by displaying their artwork in the NAC offices. Many international guests travel through the airport and it is therefore the ideal location to display. The works of art on display are from artists whose livelihoods depend on the sale of art, but have not yet become known within the South African art circuit. The paintings are delivered as a finished product, already framed, and NAC puts a price on the piece and then gives the artist the whole amount when sold. Some clients have even made requests for more paintings of the same artist. One of the foundations benefiting from this project is the Little Artists School. The school came to being after identifying the need to teach and empower street children who have an artistic talent. Renowned artist Dulcie Robinson started the school in 1999.

Other projects supported during the year included:

- Amasondo sponsors a blind student at the Prinshof School for the Visually Impaired in Pretoria.
- Since 2004, Amasondo has been involved with the annual Water Week by providing transportation to this cultural event known as Baswa Le Meetse (Youth in Water).
- Amasondo has supported the Arrive Alive Campaign of the Department of Transport for several years in succession. This year, 29 vehicles were provided, thereby assisting in increased law enforcement visibility on South African roads.
- AMH's Khula Nathi (Grow With Us) recruitment programme is a socio-economic development programme that is in partnership with Alexander High School, and has been running successfully for two years.
- AMH recently joined the list of sponsors of the Walter Sisulu Paediatric Cardiac Centre for Africa and donated a Daihatsu Charade to the centre.
- Auto Pedigree donated a minibus to the value of R50 000 to the Theology School in Hammanskraal. This much-needed minibus is currently used for transporting people, as well as to deliver donations received by AIM, to members of the community.
- Auto Pedigree sponsored a vehicle to Edutalk.
- Auto Pedigree has adopted a guide dog and is sponsoring the training costs, over a two-year period. Thereafter the dog will become the "eyes" of a visually impaired person.
- Cargo Commercial Vehicles CCV has supported the Round Table Bed Race since 2005. These beds are donated to various hospitals.
- Since 1996 Imperial Car Rental has been sponsoring ten underprivileged runners annually to give them the opportunity to compete in the Comrades Marathon.
- Imperial Car Rental provides free rental vehicles for a specified period to organisations, schools or individuals who are in need. These included Operation Hunger, the Johannesburg Children's Home, GoLD (Generation of Leaders Discovered,) Taxi Road Safety Day in the North West Province, The Haven Care Centre, Children of Fire, the I Can Foundation, Chubby Chums, SANParks' Honorary Rangers and Clowns Without Borders.
- Imperial Car Rental has been supporting the Salvation Army since 1996.
- Imperial Car Rental donated equipment in the form of computers, fax machines and copiers to various schools throughout 2005/2006. The schools that benefited are: Bet-El Primary School, Dr Frans Aupa Indongo School, Tobias Hainyeko Primary School, Baumgartsbrunn Junior School, Little Ones Educare, Ekuthuthukeni Special School and the Modimo O Moholo Shelter.
- The staff at Imperial Car Rental raise funds for children each year (Chubby Chums).
- Imperial Car Rental provides support towards the St Joseph's Home.
- The Leasing and Fleet Management division adopted the motor mechanics section of the Adelaide Gymnasium in 2005.
- During 2006, the Leasing and Fleet Management division became involved with TLC (The Love of Christ Ministries). TLC is a home for newborn and abandoned children and was established in 1993, specifically to meet the needs of these innocent victims of extreme poverty, violent crime, homelessness, HIV/AIDS and general social turmoil in South Africa.
- Imperial Fleet Services Lesotho contributed M50 000 towards a Food for Work poverty relief initiative in the Kingdom of Lesotho. Some additional projects that the company is involved in include a nourishment programme for children and the provision of food and blankets to people in very remote areas of Lesotho.
- The Leasing and Fleet Management division and Amasondo sponsored an LDV-type vehicle to Roundabout Outdoor in order to ensure that the installation and maintenance of the play pumps is sustained in meeting the Department of Water Affair's objective of providing free, fresh drinking water to rural communities.
- Hypercar Klerksdorp donated food to the families affected by the mine closures in Stilfontein. Flexifleet assisted in the sourcing and transportation of the food.
- Imperial Fleet Services donated a new bus to the Adelaide Tambo School for Physically Challenged Children, equipped with a special hydraulic lift, to raise the children into the bus and secure them safely once inside.
- Payment of school fees for disadvantaged children.
- Sponsoring two to three blind students to complete a computer literacy programme.
- Transport, free of charge, for sports and cultural teams to attend a variety of events over several years.
- Transportation for field workers promoting healthcare in rural areas.
- Donations to various institutions and homes for children.
- Donations to various Salvation Army homes.

- Mazda Marathon bus to the Reach for A Dream Foundation.
- Donated 4 x 4 vehicles to the Racing Against Malaria Campaign.
- Donated two reconditioned 60-seater buses to the Elizabeth Conradie School for the Disabled.
- Sponsored two vehicles to the Field Band Foundation.
- Supported the Helderberg Rape Crisis centre with monetary and material donations.
- Imperial Logistics established clinics and training centres for truck drivers throughout the country.
- Imperial Logistics became involved with Cotlands in 2002 and has since then raised funds for it by means of an annual golf day organised for clients and suppliers.
- Together with Pick `n Pay, disadvantaged children are taken on buses to parks where they are entertained for the day and given snacks to enjoy. Imperial Logistics supply the transport for the day and also cover all the operational, staff and cleaning costs.
- Throughout the year, donations were given to various hospices, the Red Cross, radio stations and general sponsorships.
- R10 000 is donated every month to retirement homes in Botswana.
- The training of guide dogs for visually impaired people is sponsored.
- To show support for the Captain Crime Stop Programme, 1 000 yoyos were sponsored to give to underprivileged schools.
- Every year funds are collected from National Airways Corporation (NAC) staff, which then go to care centres such as the Avril Elizabeth Home, Little Eden, Childhood Cancer Foundation, Child in Crisis, Sister Gemma's AIDS Centre for Children and the Catholic Women's League.
- In December 2005, non-perishable food items, clothes and money were collected to give to the Salvation Army and the Johannesburg Association for the Aged (JAFTA).
- During 2006, NAC adopted the Kwena Malopo Secondary School, situated close to Lanseria Airport.
- On an annual basis, Regent Insurance selects a number of promising candidates from either within the company or through recommendations, who are trained and employed after a period at Regent. The interns each receive a monthly salary and also obtain valuable experience, which they can apply wherever they might end up.
- Regent is planning to adopt a nearby school that they will support financially and through personal involvement.
- Regent decided to invest in hearing-impaired matriculants and give them the opportunity to be employed in normal working conditions.
- Regent Life supports a hospice in Diepsloot, Soweto and provided the necessary funds in order to build a daycare centre for the children of the community.
- During 2004, Safair participated for the first time in the national Cancer Association's annual Shavathon, in memory of Safair employees and their family members who succumbed to cancer.
- The annual Safair Charity Drive is an employee initiative and was started in 2005 to raise funds to buy toys for charities.
- Tempest Car Hire became involved with the Eastern Junior Club Cricket Association in 2005 and it is currently its primary supporter.
- Tempest also supports the St Francis Hospice, dedicated to improving the quality of life for patients with terminal illness.
- Tempest became involved in Business Against Crime in 2005.
- Tempest sponsored a wheelchair for the Quadriplegic Association of South Africa.
- Throughout the year, Tempest provides complimentary vehicle rental days to a number of charities and community development projects including the SA Golf Development Board, Childhood Cancer Foundation – CHOC, the Refilwe Community Project, Ikaneng Itireleng and Retina South Africa.

The amount expended on these programmes throughout the year was made up as follows.

Donations	2006 R	2005 R
Cash	7 204 095	6 201 589
In kind	2 650 046	2 329 754
Subtotal	9 854 141	8 531 343
Schools project	6 000 000	–
Total	15 854 141	8 531 343

Health and safety

Practices on recording and notifying occupational diseases and accidents

As a responsible employer, the group has one simple goal: to eliminate all injuries and fatalities from its operations. The group is committed to providing safe and healthy working conditions for all employees. All accidents, injuries and fatalities within the group are reported on at every board meeting of the board of directors of Imperial and at every executive committee meeting on a monthly basis. In addition, every fatality is immediately reported to the entire board and the executive committee.

Sustainability report

Although several of our group's divisions operate in white-collar environments where the risks are limited, health and safety is treated as a priority in our operations which are of a more industrial nature such as our logistics, aviation and motor workshops.

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

In order to assess the risks and take any corrective steps necessary, Imperial's operations, in cooperation with workers and unions, report and investigate:
- Accidents and other incidents, whether or not they cause bodily injury;
- Suspected and confirmed cases of occupational disease; and
- Any other situation in which there may be an unacceptable risk.

Appropriate 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. All accidents require investigation and the results are used to devise measures to reduce the probability of a recurrence.

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 implemented to protect employees and the public from exposure to hazardous substances.

A number of measures have been introduced in our transport operations to improve health safety. Two truck stops for drivers have been established on the Durban/Johannesburg route. Imperial furthermore supports, financially and otherwise, the roadside wellness clinics, which have been established by stakeholders in the road freight industry on the 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 socio-economic implications. The group works with all stakeholders to comprehensively manage the HIV/AIDS threat:
- To support efforts to prevent the further spread of HIV/AIDS;
- To reduce fears and dispel myths;
- To protect the rights of employees with HIV/AIDS; and
- To work with stakeholders in informing and supporting efforts to arrest the pandemic.

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

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

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

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

Imperial played a leading role in the development and implementation of this programme, which has as its aim:
- Extensive education and awareness education throughout the road freight sector.
- The establishment of a national provider network for confidential HIV testing, treatment and counselling as well as aftercare 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.

Road accidents
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 affected by seasonal pressures on our roads. In addition, the increase in the utilisation of Imperial transport fleet gives rise to a corresponding increase in accidents.

Imperial Logistics measures accident frequency per million kilometres travelled rather than per 100 000 driver hours as we believe this is the most appropriate measure for our transport operations. Of the 3 373 (2005: 2 786) incidents reported in the Logistics division in the table below, 545 (2005: 420) were of a major nature. During the year, trucks in the division travelled a total of 480 million kilometres (2005: 396 million), translating into an accident rate of 7.027 accidents per million kilometres travelled (2005: 7.035). As road accident fatalities often result from third party error, key statistics are further analysed to determine the cause of each fatality. This analysis is based on an objective evaluation of the circumstances of each fatality. In 2006, 36 of the 47 reported fatalities resulted from third party error.

The key safety statistics for the group are contained in the schedule below:

SAFETY Division/business unit	Incidents 2006	Fatalities resulting from incidents 2006	Incidents 2005	Fatalities resulting from incidents 2005
Logistics	3 373	47	2 786	21
Leasing and Fleet Management	0	0	0	0
Aviation	87	0	18	0
Car Rental and Tourism	1	1	0	0
Dealerships	1	1	2	0
Insurance	0	0	2	0
Distributorships	0	0	2	0
Total/aggregate	3 462	49	2 810	21

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

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.

Sustainability report

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.

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 to 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 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 by the group during the year.

Competition and pricing

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

Product responsibility

Customer health and safety

The health and safety of customers are of paramount importance to Imperial. Individual businesses in the group that deal directly with customers have policies to preserve customer health and safety. Due to the decentralised nature of the group's business, each unit is responsible for formulating and applying 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 customers.

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

Products and services

The group does not manufacture products of any significance 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 maintain customer privacy.

Environmental indicators

Environmental policy and management systems

We conduct our business in an environmentally responsible manner which ranges from the construction of our facilities to the maintenance and operation of our transport and aircraft fleets. 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.

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.

Materials

The group does not operate any significant manufacturing concerns and does not, for this reason, affect the environment directly through the operation of extensive plants or facilities that consume significant amounts of raw materials. The group does not use 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. Fuel consumption in our fleets is carefully measured enabling us to establish trends and benchmarks against which improvement targets can be set. Every effort is made to reduce consumption of fuel through the introduction of new technology, regular maintenance and upgrading 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 significant use of renewable energy at present.

Water

The group consumes water from external sources for ancillary operations including offices, washing of 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 is likely to have an adverse impact on biodiversity is 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.

Greenhouse gases

Transport operations generate harmful gasses 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 the latest emissions regulations applicable at major airports in the world, both regarding emissions to air as well as noise levels.

The group further contributes to indirect emissions through electricity purchased, which is the largest indirect source of CO_2 emissions by the group. Accurate measurement of NO_x emissions from transport operations is difficult and has not been quantified. While some concerns remain about diesel emissions, it should be noted that diesel engine technology and diesel itself have been improved significantly over that last 20 years.

Effluents and waste

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

Tyres are re-treaded 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.

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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 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 lubrication oil, fluorescent tubes, vehicles, batteries, tyres and other waste generated by group operations are recycled and where it 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, 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 of which the group is a primary distributor, such as sparkplugs and high-tension leads that are not biodegradable as they contain ceramics and silicone rubber.

Services rendered by the group contribute to pollution in various ways detailed above. In addition, operations such as aviation 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.

Suppliers

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

Environmental incidents

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

Business	Material spilled	Quantity in 000's litres	Quantity in tons
Imperial Cargo	Motor oil	30	
Tanker Services	Empicol		20
Zimbulk Tankers	Diesel	10	
Javelin Trucking	Bitumen emulsion	19	
Javelin Trucking	Bitumen	30	

In all cases, the spills were immediately cleaned and corrective action was 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, 116 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 2006 financial year for non-compliance with environmental regulations and permits. Any infringements of regulations, permit, or licence conditions are reported to the relevant regulators and corrective action is taken as soon as practicable in all circumstances.

Incidents and fines

During the period under review, the group did not receive any fines or similar penalties for non-compliance with applicable legislation or regulations.

Environmental data

MATERIALS	2006 000's litres	2005 000's litres
Fuels	301 025	265 438
Lubricating and hydraulic oil	2 080	1 864
ENERGY		
Energy from electricity purchased (Kw)	141 717	113 917
Energy from processes and fossil fuels consumed (gigajoules)	10 836	9 555
WASTE	000's tons	000's tons
Tyres	4.2	3.5
EFFLUENTS	000's m^3	000's m^3
Wash bay runoff	16	14
WATER USAGE		
Purchased	966 633	879 187
Own sources	11 654	*

* Not available at present or at the time.

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Core	Description	Pg	Core	Description	Pg	Core	Description	Pg
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EC5	Payroll and benefits	40		Products and services		HR6	Child labour	55
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EC9	Subsidies	40		Employment		PR1	Customer health and safety	56
EC10	Donations	40, 53	LA1	Workforce breakdown	45, 131	PR2	Products and services	56
			LA2	Employment creation and turnover	45			

Corporate governance

Principles of corporate governance and structures

The board affirms its commitment to the principles of openness, integrity and accountability, and to the provision of timeous, relevant and meaningful reporting to all stakeholders. It ensures that the group's business is conducted in accordance with high standards of corporate governance and with local and internationally accepted corporate practice. These standards are entrenched in the group's established systems of internal control, by its procedures and its policies governing corporate conduct, with particular emphasis on the importance of the qualitative aspects of corporate governance. The operating divisions are autonomous and it is not the style of the group to regulate every aspect of group behaviour by means of comprehensive policy documents, but rather to allow each division to formulate its own policies, appropriate to the industry and business environment in which the division operates but subject to the guidance of the group executive committee and ultimately the board.

The group is committed to an open governance process such that all stakeholders may derive assurance that its directors and managers at all levels are managing the group responsibly. The board subscribes to the principles of the Code of Corporate Practices and Conduct as set out in the King Report on Corporate Governance II ("King II") and complies with its recommendations unless otherwise indicated.

The principles contained in King II are reflected in the group's corporate governance structures, which are reviewed from time to time to take into account organisational changes and international developments in the field of corporate governance. It is the policy of the board and management to actively review and enhance the group's systems of control and governance on a continuous basis to ensure that the group's business is managed ethically and within prudently determined risk parameters in conformity with internationally accepted standards of best practice.

In assessing the practices implemented by the group, the board has balanced the following two factors:
- Entrepreneurial freedom to take business risks and initiatives leading to satisfactory levels of performance and return on shareholders investment in the company; and
- Conforming to corporate governance standards, which can impose constraints on divisional management.

The board of directors

Composition and appointment
The company has a unitary board structure with the chairperson and the majority of directors being non-executive.

Directors are appointed on the basis of skill, experience and their level of contribution to, and their impact on, the activities of the group. The board decides on the appointment of directors based on recommendations from the remuneration and nominations committee. New directors are provided with formal induction material to facilitate their understanding of the group.

Currently the board consists of 13 non-executive directors and seven executive directors. Six of the non-executive directors, including the chairperson, are independent. No block of directors can dominate the board and no shadow directors have been appointed. The non-executive directors that are not classified as independent are the following:
- Oshy Tugendhaft is a practising attorney and provides legal services to the group;
- Max Sisulu and Veli Mokoena represent Ukhamba Holdings, a 10.2% BEE shareholder;
- Popo Molefe and Valli Moosa represent Lereko Mobility, a 6.5% BEE shareholder;
- Carol Scott was employed in the group in an executive capacity until June 2006; and
- Younaid Waja represents the Public Investment Corporation, an 18.6% shareholder.

At least one third of the non-executive directors retire by rotation each year and stand for re-election at the Annual General Meeting in accordance with the Articles of Association. In addition, the reappointment 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.

Corporate governance

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 workings of the committees on which they serve. All committees report to the board and operate in accordance with written terms of reference approved by the board.

Executive committee

This committee is responsible for:

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

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

The current members are Bill Lynch (chairperson), Hafiz Mahomed (deputy chairperson), Osman Arbee, Ralph Boëttger, Hubert Brody, Manny de Canha, Walter Hill, Tak Hiemstra and Nazeer Hoosen. Carol Scott resigned from the committee with effect from 30 June 2006.

Group audit committee

The group audit committee consists of only non-executive directors, one of whom is appointed as chairperson. The quorum is the majority members. Certain executive directors, the group internal audit executive and the external auditors are invited to attend meetings. In addition, members of executive management, including those involved in risk management and control, and finance also attend meetings when appropriate. The committee meets at least four times per year.

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

The external and internal auditors have unrestricted access to all divisional 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 (chairperson), Phumzile Langeni, Oshy Tugendhaft and Younaid Waja.

Remuneration and nomination committee

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

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

The current members are Leslie Boyd (chairperson), Mike Leeming, Roy McAlpine and Oshy Tugendhaft. Eric Molobi, who was a member of the committee, passed away during the year.

Risk committee

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

Pursuant to its policy of aligning group corporate governance with international best practice and thereby safeguarding the interests of stakeholders, the group implemented a risk identification and assessment methodology and software programme 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 risk committee is assisted by the group internal audit executive and divisional risk management sponsors who have been coordinating the risk assessment process. The management of risk substantially takes place in the divisions, and the responsibility and accountability largely remains in the divisional management structures. The risk committee formalises and standardises this process by guiding management and assessing their effectiveness on risk management.

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

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

The system of internal control has been implemented in all key operations and is tailored to suit the circumstances of each business unit. It provides reasonable rather than absolute assurance that the group's business objectives will be achieved within prescribed risk tolerance levels. The risk areas and control processes pertaining thereto are monitored across the group on a continuous basis.

The King II report describes risk management as the identification and evaluation of actual and potential areas of risk as they pertain to a company, followed by a procedure of termination, transfer, acceptance (tolerance) or mitigation of each risk. The group's risk management process therefore utilises internal controls as a measure to mitigate and control risk.

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

- Considered what the company's risks are and how they have been identified, evaluated and controlled;
- Assessed the effectiveness of the related process of risk management and, particularly, reports of significant failings or weaknesses in the process;
- Considered if the necessary action is being taken timeously to rectify any significant failings or weaknesses; and
- Considered whether the results obtained from the review process indicate that more extensive monitoring is required.

The board

- Recognises that it is accountable for the process of risk management and the system of internal control, which is regularly reviewed for effectiveness and for establishing appropriate risk and control policies and communicating these throughout the group;
- Is satisfied that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the group, which has been in place for the year under review and up to the date of approval of the annual report and financial statements; and
- Is satisfied that there is an effective system of internal control in place to mitigate the significant risks faced by the group to an acceptable level.

The current members of the committee are Oshy Tugendhaft (chairperson), Ralph Boëttger, Tak Hiemstra and Veli Mokoena.

Assets and liabilities committee

The asset and liability committee (ALCO) is responsible for implementing best practice asset and liability risk management policies. Its main objective is to manage the liquidity, interest rate and exchange risk of the group within an acceptable risk profile.

Liquidity risk is the risk that funding is not available in order to fund the assets, operations and financial commitments of the group timeously and cost-effectively. This risk is measured by analysis of the maturity mismatch gap between

Corporate governance

assets and liabilities and is managed by accessing various sources of funding (bonds, commercial paper and bank facilities) across the yield curve having appropriate terms of repayment from a diverse pool of investors and lenders.

Interest rate risk is the risk that the interest or interest rate-related income earned on assets and paid on liabilities is not properly matched in terms of repricing profile and therefore, should there be fluctuations in interest rates, the 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. It is managed through ensuring that the interest rate repricing profile of borrowings is matched to assets, or through interest rate derivatives, in order to attain an appropriate mix of fixed and floating rate exposures.

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

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

The current members of the ALCO are Hubert Brody (chairperson), 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.

	Board: regular meetings	Board: special meetings	Executive committee	Assets and liabilities committee	Audit committee	Remuneration and nomination committee	Risk committee
Number of meetings during the year	4	1	15	4	4	3	3
Leslie Boyd	4	1				3	
Ralph Boëttger	4	1	15				3
Manny de Canha	4	1	14				
Phil Erasmus	4	0					
Tak Hiemstra	4	1	12				3
Phumzile Langeni	4	1			4		
Mike Leeming	4	0		4	4	3	
Bill Lynch	4	1	15	4			
Hafiz Mahomed	4	1	13	4			
Roy McAlpine	4	0				3	
Veli Mokoena	4	1					3
Popo Molefe	4	1					
Eric Molobi*	0	0				0	
Valli Moosa	4	1					
Gerhard Riemann	4	0					
Carol Scott	4	1	14				
Max Sisulu	3	0					
Oshy Tugendhaft	4	1			3	3	3
Younaid Waja	4	1			3		
Other executive committee members							
Osman Arbee	4	1	14				
Hubert Brody	4	1	14	3			
Walter Hill	4	0	13				
Nazeer Hoosen	4	1	14				

*Eric Molobi passed away after an extended illness and could not attend meetings due to his health.

Company secretary

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

Accountability and audit

Going concern

The group audit committee considers the facts and assumptions used in the assessment of the going concern status of the group at the financial year-end. This provides assurance to the directors so that they can confirm their assessment that the annual financial statements are properly prepared on the going concern basis.

Internal financial controls

The directors acknowledge that they are responsible for instituting internal control systems that provide reasonable assurance regarding the safeguarding of assets and the prevention of their unauthorised use or disposal, as well as the maintenance of proper accounting records that give reasonable assurance of the reliability of financial information produced.

Internal audit

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

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

The internal audit activities of the group are coordinated by the group internal audit executive (GAE) based at the corporate office. She reports to the group chief executive and has unrestricted access to the group audit committee and its chairperson. The GAE reports formally at all audit committee meetings held during the year. The internal audit plan for the whole group is approved by the group audit committee. The GAE also attends and co-ordinates the activities of all divisional audit committees.

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

Financial reporting

Imperial Holdings Limited has a comprehensive system for reporting financial results to the board on a quarterly basis and to the executive committee on a monthly basis. Each division prepares detailed monthly management accounts, budgets and a five-year plan approved by the board. Performance against budget is monitored and variances analysed. Profit and cash flow forecasts to the end of the year are reviewed and include an analysis of material changes. Accounting policies are disseminated throughout the group to ensure compliance.

Insider trading

No group director or employee who has inside information in respect of the group may deal, directly or indirectly, in Imperial's or its listed subsidiaries' securities, which include allocations of and dealings in the group's share incentive schemes ("the securities"). The board has determined certain closed periods during which directors and other senior management officials of the group may not deal, directly or indirectly, in the securities. In addition, the group has adopted a policy requiring directors, executive committee members, the company secretary and directors of major subsidiaries to obtain permission from designated individuals before trading in the group's securities.

Principles of conduct

Business integrity and ethics

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

Corporate governance

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

Management and employees operate within a framework, that requires compliance with all applicable laws and the maintenance of the highest integrity in the conduct of the group's business.

Employment and labour rights

The group subscribes to the principle of fair labour practices and our conditions of service comply with applicable laws and industry standards. More detail regarding the group's policies and practices is contained in the Sustainability Report on pages 41 to 60.

Safety, health and environmental stewardship

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

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

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

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

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

Directors' responsibility for financial reporting

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

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

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

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

L Boyd
Chairman

WG Lynch
Chief executive

AH Mahomed
Financial director

29 August 2006

Certificate by company secretary

In my capacity as company secretary, I hereby confirm that in terms of the Companies Act, 61 of 1973, as amended, for the year ended 25 June 2006, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

RA Venter
Company secretary

29 August 2006

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

We have audited the annual financial statements and group annual financial statements of Imperial Holdings Limited set out on pages 70 to 130 for the year ended 25 June 2006. 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.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and the group at 25 June 2006 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Deloitte & Touche
Per BW Smith
Partner

29 August 2006

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

National executive
GG Gelink, chief executive; AE Swiegers, chief operating officer; GM Pinnock, Audit; DL Kennedy, Tax; L Geeringh, Consulting; MG Crisp, Financial Advisory; L Bam, Strategy; CR Beukman, Finance; TJ Brown, Clients and Markets; SJC Sibisi, Public Sector and Corporate Social Responsibility; NT Mtoba, chairman of the board; J Rhynes, deputy chairman of the board.

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

Directors' report for the year ended 25 June 2006

Nature of business

The nature of the business and operations is dealt with on pages 14 to 35.

Financial performance

Net attributable profit for the year amounted to R2 247 million (2005: R2 184 million – as restated) which represents headline earnings per share of 1 222.1 cents (2005: 968.8 cents – as restated).

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

Share capital

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

The movements in the ordinary shares were as follows:

	Company	Repurchased shares	Net
Balance brought forward	205 394 949	(19 480 839)	185 914 110
Deferred ordinary shares converted	1 740 001		1 740 001
Share options exercised	761 500		761 500
Treasury stock purchased by subsidiary in terms of general authority		(772 116)	(772 116)
Sub-total	207 896 450	(20 252 955)	187 643 495
The movements in the number of preferred ordinary shares were as follows:			
Issued to Lereko Mobility	14 516 617		14 516 617
The movements in the number of deferred ordinary shares were as follows:			
Balance brought forward	22 755 389		22 755 389
Converted into ordinary shares	1 740 001		1 740 001
Balance carried forward	21 015 388		21 015 388
Total shares in issue	243 428 455	(20 252 955)	223 175 500

Directors and secretary

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

Messrs HR Brody, WS Hill and RJA Sparks were appointed to the board of directors of the company after the year-end. These appointments are to be confirmed at the forthcoming Annual General Meeting.

In accordance with the Articles of Association, P Langeni, CE Scott, JR McAlpine and Y Waja retire by rotation at the forthcoming Annual General Meeting but, being eligible, offer themselves for re-election.

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

Imperial's 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 on page 75.

Capital distribution and dividend

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

Subsidiaries

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

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

	2006 Rm	2005 Rm
Income	2 028	1 900
Losses	170	90

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:
- 100% of TFD Network Africa, a warehousing and distribution business, was acquired.
- 100% of Gillhuber in Bavaria, Germany was acquired.
- 80% of Beekman Canopies, a manufacturer and distributor of canopies for light commercial vehicles, was acquired.
- 100% of Lex Commercials, Lex Auto Logistics, Lex Fleetserve and Lex Multipart Defence in the UK was acquired.
- 51% of MCC Contracts and MCC Plant Hire was acquired.
- Tourvest acquired 100% of Cummings Travel, a travel agency in South Africa.

The group restructured its off-shore holdings, transferring its subsidiaries and investments outside Africa to a Dutch holding 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 to set 70 years as directors' retirement age; and
- Amendment of the Articles of Association to provide for electronic voting.

Tourism Investment Corporation Limited passed the following special resolution:
- Granting to the directors of the company a general authority for the acquisition by the company of ordinary shares in the company.

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

Post-balance sheet events

In terms of the Ukhamba black economic empowerment transaction, 1 721 529 deferred ordinary shares converted to ordinary shares and were listed on the JSE.

Prior to the year-end, the company concluded a forward purchase agreement to acquire Imperial shares. The company will take delivery of 4 961 389 shares during November 2006 for an agreed forward consideration of R655 million. Various funding options are being considered including a non-redeemable preference share issue.

Accounting policies

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

The impacts of the adoption of these accounting standards are dealt with in note 3 to the financial statements.

The impacts of newly issued standards which will become applicable are outlined in note 4 to the financial statements.

Remuneration report

Role of the remuneration and nomination committee and terms of reference

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

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

Membership of the committee

The committee comprised the following non-executive directors:

- Leslie Boyd (chairman);
- Mike Leeming;
- Roy McAlpine; and
- Oshy Tugendhaft.

It is with great sadness that the committee notes that Eric Molobi, a member of the committee, passed away during the year.

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

Remuneration policy

Principles of executive remuneration

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

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

Elements of executive remuneration

Executive directors' remuneration comprises the following four principal elements:

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

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

Base salary

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

Annual 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.

The committee has implemented a range of new long-term incentive plans approved by shareholders at the previous Annual General Meeting. Participation in the schemes by executive directors and other senior executives is based on criteria considered by the committee to be similar to those used for the annual bonus. The schemes embody the following elements:

Executive share appreciation scheme (ESAS)

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

Share purchase scheme (SPS)

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

A total of 3 232 300 Imperial shares with a value of R427 542 423 were acquired on the open market during the year and corresponding loans granted to participants in terms of the SPS.

Retirement schemes

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

Other benefits

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

Other matters affecting remuneration of directors

External appointments

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

Non-executive directors

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

Directors' fees

For the past financial year, each of the non-executive directors received directors' fees at the rate of R103 000 p.a. (2005: R95 000). The chairman received twice a member's fee and the deputy chairman R125 000 (2005: R95 000). Non-executive directors who serve on the Imperial group committees each received annual fees as follows: audit committee R50 000 (2005: R44 000); remuneration and nomination committee R32 000 (2005: R30 000), risk committee R40 000 (2005: R21 600), assets and liabilities committee R44 000 (2005: nil).

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

Details of recommended increases for the next financial year are set out in the notice of Annual General Meeting.

Remuneration report

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 2006.

Name	Salary R000	Bonus R000	Retirement and medical contributions R000	Other benefits (note 1) R000	Directors' fees R000	Subsidiaries, associates and sub-committee fees R000	2006 Total R000	2005 Total R000
Non-executive								
L Boyd					206	64	270	250
PL Erasmus					103	20	123	112
P Langeni					103	25	128	95
MJ Leeming					103	192	295	263
JR McAlpine					103	162	265	244
E Molobi					125	32	157	95
P Molefe					103		103	
V Moosa					103		103	
A Tugendhaft					103	162	265	212
VJ Mokoena (note 2)	586	240	73	149	103		1 151	904
MV Sisulu (note 2)					103	270	373	345
Y Waja					103	50	153	139
	586	240	73	149	1 361	977	3 386	2 659
Executive								
WG Lynch	2 639	1 500	455	185			4 779	4 199
RJ Boëttger	1 887	1 500	498	316			4 201	3 701
MP de Canha	2 209	1 500	363	226			4 298	3 895
RL Hiemstra	1 957	1 300	343	118			3 718	3 514
AH Mahomed	2 434	1 500	428	154			4 516	4 002
GW Riemann (note 3)	2 912	5 652	586	297	78		9 525	6 624
CE Scott	2 141	1 500	363	432			4 436	3 966
	16 179	14 452	3 036	1 728	78		35 473	29 901
Total	16 765	14 692	3 109	1 877	1 439	977	38 859	
June 2005	15 577	10 320	2 876	1 866	1 116	805		32 560

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 VJ Mokoena is employed by Ukhamba Holdings (Pty) Limited and MV Sisulu is its chairman. Except for directors' fees, all other costs are borne by Ukhamba Holdings (Pty) Limited. VJ Mokoena's director's fee is paid to Ukhamba.
3 *Overseas based*
GW 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 2006, members will be requested to approve the following increases in non-executive directors' remuneration:
- Board member – from R103 000 to R112 000
- Deputy chairman – from R125 000 to R135 000
- Audit committee – from R50 000 to R54 000
- Risk committee – from R40 000 to R44 000
- Remuneration and nomination committee – from R32 000 to R44 000
- Assets and liabilities committee – from R0 to R44 000

In arriving at the proposed fees, cognizance 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. Executives receive no directors' or committee fees in addition to their normal remuneration.

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

	Options at beginning of year	Options exercised during	Options at end of year	Options price R	Date granted	Expiry date
WG Lynch	200 000	200 000		50.00	23 January 2002	22 January 2012
	75 000		75 000	53.20	30 June 2003	29 June 2013
RJ Boëttger	50 000	50 000		43.00	4 April 2002	4 April 2012
	30 000		30 000	53.20	30 June 2003	29 June 2013
RL Hiemstra	30 000	30 000		32.00	9 December 1998	8 December 2008
	30 000		30 000	53.20	30 June 2003	29 June 2013
AH Mahomed	50 000		50 000	37.00	13 November 1998	12 November 2008
	75 000		75 000	53.20	30 June 2003	29 June 2013
CE Scott	75 000		75 000	53.20	30 June 2003	29 June 2013
VJ Mokoena	6 000	6 000		54.80	7 December 2001	6 December 2011

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

CE Scott	1 500 000		1 500 000	0.83	28 February 2002	28 February 2012

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

	2006 R000	2005 R000
WG Lynch	21 520	
RJ Boëttger	5 350	6 588
RL Hiemstra	3 930	
VJ Mokoena	433	
GW Riemann		2 540

Participation in share appreciation scheme

	Commencement date	Number of shares	Price on commencement date R	Expiry date
WG Lynch	26 June 2005	15 000	100.78	June 2009
RJ Boëttger	26 June 2005	15 000	100.78	June 2009
MP de Canha	26 June 2005	15 000	100.78	June 2009
RL Hiemstra	26 June 2005	15 000	100.78	June 2009
AH Mahomed	26 June 2005	15 000	100.78	June 2009
VJ Mokoena	26 June 2005	5 000	100.78	June 2009
GW Riemann	26 June 2005	15 000	100.78	June 2009

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

Loans granted for the purchase of shares in terms of the executive share purchase schemes are set out below:

	Number of shares	Loan balance
WG Lynch	75 000	10 363 886
RJ Boëttger	75 000	10 363 886
MP de Canha	75 000	10 363 886
RL Hiemstra	75 000	10 363 886
AH Mahomed	63 600	9 991 206
VJ Mokoena	25 000	3 454 629

Approval

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

Signed on behalf of the board of directors

Leslie Boyd
Chairman of the committee

29 August 2006

Group balance sheet

at 25 June	Notes	2006 Rm	Restated 2005 Rm
ASSETS			
Intangible assets	5	945	622
Investments in associates and joint ventures	6	1 602	1 415
Property, plant and equipment	7	4 231	2 781
Transport fleet	8	2 570	2 449
Leasing assets	9	6 443	5 074
Vehicles for hire	10	896	790
Deferred tax assets	11	426	339
Other investments and loans	12	2 208	1 284
Other non-current financial assets	13	718	412
Inventories	14	7 535	5 586
Taxation in advance		108	128
Trade and other receivables	15	8 248	5 752
Cash resources	16	1 630	1 043
Total assets		37 560	27 675
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	17	1 762	1 929
Share repurchases and consolidated shares	18	(2 497)	(1 760)
Other reserves	19a	1 272	476
Retained earnings		9 465	7 245
Attributable to Imperial Holdings' shareholders		10 002	7 890
Minority interest		785	466
Total shareholders' equity		10 787	8 356
Liabilities			
Equity-settled interest-bearing borrowings	20	794	
Retirement benefit obligations	21	218	190
Interest-bearing borrowings	22	6 783	2 629
Liabilities under insurance contracts	23	1 331	978
Deferred tax liabilities	11	941	695
Other non-current financial liabilities	24	127	
Provisions for liabilities and other charges	25	925	707
Trade and other payables	26	10 620	7 113
Current tax liabilities		1 118	636
Current portion of interest-bearing borrowings	22	3 916	4 933
Treasury stock buy-back liability	26		1 438
Total liabilities		26 773	19 319
Total equity and liabilities		37 560	27 675

Group income statement

for the year ended 25 June	Notes	2006 Rm	Restated 2005 Rm
Revenue	27	54 105	42 605
Net operating expenses	28	(48 015)	(37 821)
Profit from operations before depreciation and recoupments		6 090	4 784
Depreciation, amortisation and recoupments	29	(1 632)	(1 390)
Operating profit		4 458	3 394
Foreign exchange (losses) gains		(138)	7
Fair value gains to foreign exchange derivatives		26	107
Fair value losses on embedded financial instruments (Lereko Mobility)		(74)	
Profit before net financing costs		4 272	3 508
Finance costs including fair value gains and losses	30	(884)	(647)
Finance income	30	102	61
Income from associates and joint ventures		282	186
Profit before exceptional items		3 772	3 108
Exceptional items	31	(53)	258
Profit before taxation		3 719	3 366
Income tax expense	32	1 234	989
Profit after taxation		2 485	2 377
Attributable to:			
Equity holders of Imperial Holdings Limited		2 247	2 184
Minority interest		238	193
		2 485	2 377
Earnings per share (cents)	34		
Basic		1 198.1	1 089.8
Diluted		1 125.8	1 022.2

Group statement of changes in equity

			Other reserves								
for the years ended 25 June	Share capital and share premium Rm	Share repurchases and consolidated shares Rm	Share-based payment reserve Rm	Hedging reserve Rm	Statutory reserve Rm	Translation reserve Rm	Associates reserves Rm	Retained earnings Rm	Attributable to Imperial Holdings' shareholders Rm	Minority interest Rm	Total Rm
Balance at 26 June 2004 – restated to IFRS	2 637	(947)	1		69		(31)	5 866	7 595	446	8 041
Net gains arising on translation of foreign operations not recognised in the income statement						83			83	4	87
Net attributable profit for the year								2 184	2 184	193	2 377
Net disposal of minority interest										(111)	(111)
Share of reserves of associates and joint ventures							150	(150)			
Contingency reserve created in terms of the Insurance Act					29			(29)			
Movement in hedge accounting reserve				80					80		80
Cancellation of 14 532 422 treasury shares	(1)	627						(626)			
Issue of 1 268 400 ordinary shares	60								60		60
Purchase of 14 533 096 ordinary shares in terms of scheme of arrangement		(1 438)							(1 438)		(1 438)
Purchase of 911 169 ordinary shares		(70)							(70)		(70)
Movement in share-based payment reserve			95						95		95
Capital distribution of 175 cents per ordinary share in October 2004	(383)	34							(349)		(349)
Capital distribution of 175 cents per ordinary share in March 2005	(384)	34							(350)		(350)
Minority share of dividends										(66)	(66)
Balance at 25 June 2005 – restated to IFRS	1 929	(1 760)	96	80	98	83	119	7 245	7 890	466	8 356
Prospective adjustment to minority interest										(1)	(1)
Net gains arising on translation of foreign operations not recognised in the income statement						261			261	18	279
Net attributable profit for the year								2 247	2 247	238	2 485
Net acquisition of minority interest										128	128
Contingency reserve created in terms of the Insurance Act					57			(57)			
Reallocation of Imperial Bank's credit risk reserve to statutory reserve					85		(85)				
Release of distributable reserves of associates and joint ventures to retained earnings							(34)	34			
Movement in hedge accounting reserve				535					535	74	609
Realised gain on the sale of foreign subsidiary						4		(4)			
Recognition of share-based payments			(27)						(27)		(27)
Issue of 761 500 ordinary shares	39								39		39
Issue of 14 516 617 preferred ordinary shares	806	(802)							4		4
Purchase of 772 116 ordinary shares		(101)							(101)		(101)
Capital distribution of 220 cents per ordinary share in October 2005	(456)	43							(413)		(413)
Capital distribution of 230 cents per ordinary share in April 2006	(478)	45							(433)		(433)
Capital distribution of 267.5 cents per preferred ordinary share in September 2005	(39)	39									
Capital distribution of 267.5 cents per preferred ordinary share in March 2006	(39)	39									
Minority share of dividends										(138)	(138)
Balance at 25 June 2006	1 762	(2 497)	69	615	240	348		9 465	10 002	785	10 787

Group cash flow statement

for the years ended 25 June	Notes	2006 Rm	Restated 2005 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		52 241	41 380
Cash paid to suppliers and employees		(46 607)	(36 916)
Cash generated by operations	35a	5 634	4 464
Net financing costs		(782)	(586)
		4 852	3 878
Income tax paid		(597)	(565)
		4 255	3 313
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries and businesses	35b	(771)	(284)
Disposals of subsidiaries	35c	16	287
Expansion capital expenditure			
– Intangible assets		(21)	
– Property, plant and equipment		(939)	(373)
– Transport fleet		(541)	(330)
– Leasing assets		(1 046)	(1 188)
– Vehicles for hire		(115)	(53)
Net replacement capital expenditure	35d		
– Intangible assets		(25)	(20)
– Property, plant and equipment		(245)	(193)
– Transport fleet		(28)	(142)
– Leasing assets		(658)	(476)
– Vehicles for hire		(148)	(104)
Net additional investments (loans and equity) in associates and joint ventures		156	116
Purchase of equities, loans advanced and repaid		(819)	(601)
Loans advanced to participants of share incentive trust		(454)	
Proceeds on disposal of investments		796	417
		(4 842)	(2 944)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		43	60
Net purchase of treasury stock		(1 539)	(70)
Hedge cost of share options		(32)	
Dividends paid		(138)	(66)
Capital distribution		(846)	(699)
Change in minority interest		14	1
Increase (decrease) in long-term borrowings		3 784	(662)
		1 286	(1 436)
Net increase (decrease) in cash and cash equivalents		699	(1 067)
Cash and cash equivalents at beginning of year		(2 342)	(1 275)
Cash and cash equivalents at end of year	35e	(1 643)	(2 342)

Segmental information – Balance sheet

at 25 June	Group 2006 Rm	Group Restated 2005 Rm	Logistics 2006 Rm	Logistics Restated 2005 Rm	Leasing and Fleet Management 2006 Rm	Leasing and Fleet Management Restated 2005 Rm
BUSINESS SEGMENTATION						
Assets						
Intangible assets (inc goodwill)	945	622	342	256	57	4
Investments, loans and associates	2 679	1 723	14	1	11	
Property, plant and equipment	4 231	2 781	1 325	1 075	193	114
Transport fleet	2 570	2 449	2 663	2 540		
Leasing assets	6 443	5 074			3 986	2 970
Vehicles for hire	896	790				
Other non-current financial assets	718	412				
Inventories	7 535	5 586	177	154	293	310
Trade and other receivables	8 248	5 752	3 181	2 990	631	338
Cash in financial services businesses	732	454				
Operating assets	34 997	25 643	7 702	7 016	5 171	3 736
Deferred tax assets	426	339				
Loans to associates and other investments	1 131	976				
Taxation in advance	108	128				
Cash and cash equivalents	898	589				
Total assets per balance sheet	37 560	27 675				
Liabilities						
Retirement benefit obligations	218	190	218	190		
Liabilities under insurance contracts	1 331	978				
Accounts payable and provisions	11 545	7 820	2 787	2 458	907	540
Other non-current financial liabilities	127					
Non-interest-bearing liabilities	13 221	8 988	3 005	2 648	907	540
Equity-settled interest-bearing borrowings	794					
Interest-bearing borrowings	10 699	7 562				
Treasury stock buy-back liability		1 438				
Deferred tax liabilities	941	695				
Current tax liabilities	1 118	636				
Total liabilities per balance sheet	26 773	19 319				
GEOGRAPHIC SEGMENTATION						
Operating assets	34 997	25 643	7 702	7 016	5 171	3 736
– South Africa	27 892	21 476	5 217	4 851	4 343	3 002
– Rest of Africa	913	566	149	115	354	269
– Rest of world	6 192	3 601	2 336	2 050	474	465
Non-interest-bearing liabilities	13 221	8 988	3 005	2 648	907	540
– South Africa	9 943	7 656	1 921	1 714	766	439
– Rest of Africa	474	185	43	29	90	54
– Rest of world	2 804	1 147	1 041	905	51	47
Interest-bearing borrowings	10 699	7 562	1 322	1 420	2 870	2 266
– South Africa	7 368	6 371	964	822	2 497	1 783
– Rest of Africa	33	273	9	61	49	145
– Rest of world	3 298	918	349	537	324	338
Gross capital expenditure	6 164	4 627	1 210	907	1 837	1 612
– South Africa	5 514	4 182	1 000	784	1 562	1 347
– Rest of Africa	139	201	40	39	87	148
– Rest of world	511	244	170	84	188	117
Gross capital expenditure	6 164	4 627	1 210	907	1 837	1 612
Less: Proceeds on disposal	(2 398)	(1 813)	(318)	(303)	(627)	(450)
Net capital expenditure	3 766	2 814	892	604	1 210	1 162

Aviation		Car Rental and Tourism		Distributorships		Motor Vehicle Dealerships		Insurance		Head Office and Eliminations	
2006 Rm	Restated 2005 Rm	2006 Rm	Restated 2005 Rm	2006 Rm	Restated 2005 Rm	2006 Rm	Restated 2005 Rm	2006 Rm	Restated 2005 Rm	2006 Rm	Restated 2005 Rm
118	77	308	231	28	33	84	15	8	6		
404	308	2	2	333	168	12	8	1 742	1 336	161	(100)
129	128	228	176	1 386	639	740	451	83	91	147	107
										(93)	(91)
2 060	1 898			420	227					(23)	(21)
		896	793								(3)
	1							451	411	267	
624	567	425	365	4 371	2 973	1 780	1 368			(135)	(151)
451	325	453	297	2 491	1 171	653	478	726	664	(338)	(511)
								732	454		
3 786	3 304	2 312	1 864	9 029	5 211	3 269	2 320	3 742	2 962	(14)	(770)
								1 331	978		
606	513	718	501	3 538	2 391	1 538	1 050	949	616	502	(249)
										127	
606	513	718	501	3 538	2 391	1 538	1 050	2 280	1 594	629	(249)
3 786	3 304	2 312	1 864	9 029	5 211	3 269	2 320	3 742	2 962	(14)	(770)
3 030	2 938	2 236	1 842	6 719	4 454	3 181	2 320	3 418	2 794	(252)	(725)
		54	22	69	57			324	168	(37)	(65)
756	366	22		2 241	700	88				275	20
606	513	718	501	3 538	2 391	1 538	1 050	2 280	1 594	629	(249)
176	383	708	454	2 882	2 254	1 482	1 050	1 967	1 519	41	(157)
		10	22	19	21			313	75	(1)	(16)
430	130		25	637	116	56				589	(76)
2 310	2 328	304	163	2 012	978	393	121		1	1 488	285
2 056	2 162	342	99	1 046	439	393	121		1	70	944
		(36)	12	(1)	56					12	(1)
254	166	(2)	52	967	483					1 406	(658)
520	463	1 048	867	1 127	579	406	195	20	17	(4)	(13)
481	421	1 030	856	1 012	575	406	195	19	17	4	(13)
		18	11	2	3			1		(9)	
39	42			113	1					1	
520	463	1 048	867	1 127	579	406	195	20	17	(4)	(13)
(214)	(77)	(680)	(659)	(441)	(283)	(92)	(35)	(25)	(3)	(1)	(3)
306	386	368	208	686	296	314	160	(5)	14	(5)	(16)

Segmental information – Income statement

for the years ended 25 June	Group 2006 Rm	Group Restated 2005 Rm	Logistics 2006 Rm	Logistics Restated 2005 Rm	Leasing and Fleet Management 2006 Rm	Leasing and Fleet Management Restated 2005 Rm
BUSINESS SEGMENTATION						
Revenue						
– Sales of goods	32 438	22 657	684	626	688	543
– Rendering of services	19 160	18 181	11 486	11 676	2 305	1 712
– Gross premiums received	2 442	1 709				
– Other	65	58	60	58		
	54 105	42 605	12 230	12 360	2 993	2 255
Inter-segment revenue*			196	361	35	46
	54 105	42 605	12 426	12 721	3 028	2 301
Operating expenses excluding gains and losses on investments	48 393	38 094	11 211	11 589	1 805	1 317
Investment income	(105)	(83)				
Fair value gains on investments	(273)	(190)				
Depreciation and amortisation	1 792	1 562	483	493	720	570
Recoupments	(160)	(172)	(31)	(25)	(37)	(42)
Operating profit	4 458	3 394	763	664	540	456
Foreign exchange (losses) gains	(138)	7		3	(34)	(11)
Fair value gains (losses) on foreign exchange derivatives	26	107	(1)	1	28	4
Fair value losses on embedded financial instrument (Lereko Mobility)	(74)					
Profit before net financing costs	4 272	3 508	762	668	534	449
Net financing costs	(782)	(586)	(76)	(92)	(196)	(165)
Income from associates and joint ventures	282	186	2	11		(1)
Profit before exceptional items	3 772	3 108	688	587	338	283
GEOGRAPHIC SEGMENTATION						
Revenue	54 105	42 605	12 426	12 721	3 028	2 301
– South Africa	43 068	33 674	7 014	6 116	2 482	1 901
– Rest of Africa	1 017	726	238	182	275	142
– Rest of world	10 020	8 205	5 174	6 423	271	258
Operating profit	4 458	3 394	763	664	540	456
– South Africa	4 089	3 079	540	457	461	388
– Rest of Africa	165	105	33	10	56	45
– Rest of world	204	210	190	197	23	23
Net financing costs	782	586	76	92	196	165
– South Africa	732	553	89	85	170	144
– Rest of Africa	24	15	4	3	19	11
– Rest of world	26	18	(17)	4	7	10

*Inter-segment revenue has been restated for 2005 for the Leasing and Fleet Management and Insurance divisions, to eliminate revenue within the segment which was previously eliminated at group level.

Aviation		Car Rental and Tourism		Distributorships		Motor Vehicle Dealerships		Insurance		Head Office and Eliminations	
2006 Rm	Restated 2005 Rm	2006 Rm	Restated 2005 Rm	2006 Rm	Restated 2005 Rm	2006 Rm	Restated 2005 Rm	2006 Rm	Restated 2005 Rm	2006 Rm	Restated 2005 Rm
1 279	769	1 491	1 323	14 756	8 603	13 540	10 793				
2 065	1 878	1 767	1 645	741	607	720	550	31	20	45	93
								2 442	1 709		
2	1				(1)	1		2			
3 346	2 648	3 258	2 968	15 497	9 209	14 261	11 343	2 475	1 729	45	93
3	51	183	160	512	446	719	730	147	170	(1 795)	(1 964)
3 349	2 699	3 441	3 128	16 009	9 655	14 980	12 073	2 622	1 899	(1 750)	(1 871)
2 900	2 284	2 720	2 479	14 402	8 671	14 563	11 739	2 409	1 745	(1 617)	(1 730)
								(105)	(83)		
								(273)	(190)		
209	203	255	203	106	62	39	34	11	9	(31)	(12)
(40)	(53)	(41)	(50)	(2)	(1)	1	(1)	(9)	(1)	(1)	1
280	265	507	496	1 503	923	377	301	589	419	(101)	(130)
13	10		2	(113)	4					(4)	(1)
1	2			(3)	101					1	(1)
										(74)	
294	277	507	498	1 387	1 028	377	301	589	419	(178)	(132)
(169)	(152)	(46)	(27)	(113)	(43)	(63)	(31)	3	1	(122)	(77)
49	31		1	33	49		2			198	93
174	156	461	472	1 307	1 034	314	272	592	420	(102)	(116)
3 349	2 699	3 441	3 128	16 009	9 655	14 980	12 073	2 622	1 899	(1 750)	(1 871)
2 496	1 972	3 161	2 880	12 393	8 695	14 748	12 073	2 387	1 774	(1 613)	(1 737)
		158	152	185	162			235	125	(74)	(37)
853	727	122	96	3 431	798	232				(63)	(97)
280	265	507	496	1 503	923	377	301	589	419	(101)	(130)
264	262	475	486	1 542	938	375	301	521	374	(89)	(127)
		25	10	(3)	(4)			68	45	(14)	(1)
16	3	7		(36)	(11)	2				2	(2)
169	152	46	27	113	43	63	31	(3)	(1)	122	77
158	153	48	30	91	33	62	31	(3)	(1)	117	78
		(2)	(2)	4	3					(1)	
11	(1)		(1)	18	7	1				6	(1)

Notes to the group annual financial statements

1 Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below and are consistent in all material respects with those applied during the previous year, except as indicated in note 3.

1.1 Basis of preparation

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

With the group being a first-time adopter of IFRS for the 2006 financial year, the group's date of transition to IFRS was 26 June 2004. The group's opening balance sheet on 26 June 2004 and comparative information for 2005 have been restated to comply with all IFRS effective as at 25 June 2006. The transitional provisions applied by the group in terms of IFRS 1 – First-Time Adoption of International Financial Reporting Standards and the impact of the restatements on reported earnings and equity are analysed on pages 92 to 94.

1.2 Insurance

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

1.3 Consolidation

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries. Subsidiary undertakings, which are those companies in which the group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated, except when the subsidiaries are held exclusively with a view to their subsequent disposal which is highly probable and are accounted for as non-current assets held for sale. 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 in line with those used by the group.

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

1.4 Segment information

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

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

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

1.5 Foreign currencies

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

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

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

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

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

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

1.6 Investment in associates

Investments in associates are accounted for using the equity method of accounting, except when the investments are held exclusively with a view to their subsequent disposal which is highly probable and are accounted for as non-current assets held for sale. Associates 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.

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.

1.7 Joint ventures

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

The group's interest in jointly controlled entities is accounted for using the equity method of accounting as described in note 1.6 above, except when the investments are held exclusively with a view to their subsequent disposal which is highly probable and are accounted for as non-current assets held for sale.

1.8 Goodwill

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

On disposal of a subsidiary, associate or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. Goodwill arising on acquisitions before adopting IFRS 3 – Business Combinations has been retained at the previous amounts subject to being tested for impairment at 26 June 2004. Goodwill written off to reserves under SA GAAP prior 26 June 2000 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

1.9 Other intangible assets

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

Notes to the group annual financial statements

1.10 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.

1.11 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.

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

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

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

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

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

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (see note 1.10).

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

1.12 Capitalised borrowing costs

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

1.13 Inventories

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

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

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

1.14 Financial instruments

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

Equity and debt security instruments

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

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

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

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

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

Loans receivable

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

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

Trade and other receivables

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

Cash and cash equivalents

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

Loans payable

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

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

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

Notes to the group annual financial statements

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

Trade payables

Trade payables are stated at their nominal value.

Derivative instruments

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 recorded at 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

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

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

Derecognition

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

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

1.15 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.

1.16 Share-based payments

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

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

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

1.17 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.

1.18 Provisions

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

Leave pay provision

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

Bonus provision

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

Warranty and after-sales services

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

Insurance claims

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

Other provisions

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

Notes to the group annual financial statements

1.19 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.

1.20 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 principle, 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.

1.21 Revenue recognition

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

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

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

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

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

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

1.22 Interest and dividend income in financial services businesses

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

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

1.23 Government grants and assistance

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

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

No value is recognised where government provides general industry assistance.

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

1.24 Headline earnings

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

2 Significant accounting judgements and estimates

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

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

Residual values and useful lives

The group depreciates its assets over their estimated useful lives taking into account residual values, which, following the adoption of IAS 16 – Property, Plant and Equipment (revised), are reassessed on an annual basis. The actual lives and residual values of these assets can vary depending on a variety of factors.

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

Income taxes

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

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

Contingent liabilities

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

Consolidation of a special-purpose entity

A special-purpose entity established in a recent black economic empowerment transaction has been consolidated in the group results. Although Imperial owns 49% of Lereko Mobility, it is consolidated as the notional funding provided by Imperial ranks after other funding.

Revenue recognition

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

Balance sheet presentation based on liquidity

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

Notes to the group annual financial statements

3 Changes in accounting policy and accounting developments

3.1 Transition to International Financial Reporting Standards

Introduction

Imperial Holdings has, up to 25 June 2005, prepared consolidated financial statements according to South African Generally Accepted Accounting Practice (SA GAAP). In accordance with the listing requirements of the JSE Limited, Imperial Holdings has adopted International Financial Reporting Standards (IFRS) for the year ended 25 June 2006.

The transition as prescribed by IFRS 1 – First-Time Adoption of International Financial Reporting Standards requires comparatives to be restated according to IFRS except for certain exemptions allowed in terms of IFRS 1. The effective transition date is the beginning of the earliest comparative period presented, i.e. 26 June 2004.

It is important to note that, whilst the change in accounting standards has an impact on the income statement and balance sheet, there is no change in the underlying economics or risks of the business, or any other business fundamentals, cash flows, growth strategies or the group's capital management policies.

Transitional provisions

IFRS 1 requires full retrospective application of IFRS. This statement provides exemptions from retrospective application in certain instances due to cost and practical considerations. The group's transitional elections were as follows:

Fair value as deemed cost

The group elected, in relation to certain selected assets, not to adopt IAS 16 – Property, Plant and Equipment retrospectively but to adopt the exemption and set the fair value at 26 June 2004 as the deemed cost.

Cumulative translation differences

The group elected to set the foreign currency translation reserve to zero at the date of transition.

Business combinations

The group elected not to restate all historic business combinations in terms of IFRS 3 – Business Combinations. The exemption has been taken to not restate goodwill and fair value adjustments in terms of IAS 21 – Exchange Rates.

Share-based payments

The group elected to not apply the provisions of IFRS 2 – Share-Based Payments to equity-settled awards granted on or before 7 November 2002, nor to awards granted after that date but which had vested prior to 1 January 2005.

Insurance contracts

The exemption was taken to not restate comparatives for IFRS 4 – Insurance Contracts.

Reconciliations: SA GAAP to IFRS

The impact the transition from SA GAAP to IFRS had on the group's financial position (balance sheet) and financial performance (income statement) is explained by the following reconciliations. The impact on the cash flow statement was not significant.

	June 2005 Rm	June 2004 Rm
Reconciling SA GAAP to IFRS		
EQUITY		
As previously reported under SA GAAP	9 454	9 077
Adjusted as follows:		
IAS 16 – Property, Plant and Equipment	(961)	(925)
IAS 17 – Leases	(78)	(65)
IAS 18 – Revenue	(43)	(30)
IAS 19 – Employee Benefits	(19)	(20)
Minority interest in the above	3	4
Stated under IFRS	8 356	8 041
BALANCE SHEET		
Assets		
As previously reported under SA GAAP	28 898	
Adjusted as follows:		
Investments in associates and joint ventures	(502)	
Property, plant and equipment	21	
Transport fleet	52	
Leasing assets	(744)	
Deferred taxation	59	
Inventories	(109)	
Stated under IFRS	27 675	
Liabilities		
As previously reported under SA GAAP	19 444	
Adjusted as follows:		
Retirement benefit obligations	28	
Deferred tax liabilities	(190)	
Other liabilities	37	
Stated under IFRS	19 319	
NET ATTRIBUTABLE PROFIT		
As previously reported under SA GAAP	2 340	
Adjusted as follows:		
Operating expenses	(79)	
Depreciation and recoupments	(50)	
Income from associates and joint ventures	(30)	
Exceptional items	(3)	
Deferred taxation	5	
Minority interest	1	
Stated under IFRS	2 184	

Notes to the group annual financial statements

Explanatory notes regarding material IFRS adjustments

Leasing assets

Aviation fleet

IAS 16 – Property, Plant and Equipment requires that an entity determines the depreciation charge for each significant component of property, plant and equipment. To fully restate the aviation fleet according to IFRS, it would have been necessary to determine the residual values of more than 1 000 components of the aviation fleet by year going back to the date they were acquired. Due to the resulting practical difficulties, the group has elected to apply the fair value as deemed cost exemption to aircraft where aircraft values could be reliably established from recognised sources. These values could be established for all aircraft except our Hercules fleet which represents a small part of the fleet. Here we used our best endeavours to establish the historic information to rework the fleet values; any uncertainties were considered to be of minor consequence.

Forklift fleet

The reduction in carrying value of the forklift fleet mainly arose from overhead costs that were capitalised under SA GAAP, which must now be expensed as required by IAS 17 – Leases. The annual revision of residual values also had an impact.

Transport fleet

The increase in the carrying value of the transport fleet mainly arose from the annual revision of residual values required by IAS 16 – Property, Plant and Equipment.

Lereko BEE transaction

The transaction in terms of which Lereko Mobility (Pty) Limited acquired equity ownership in Imperial resulted in an equity instrument being issued. Being an equity-settled share-based payment transaction in accordance with IFRS 2 – Share-Based Payments, a once-off cost of R95 million was taken in the restated June 2005 financial year.

3.2 Revenue restatement

In line with the SAICA Circular 9/2006 (Discounts, Rebates and Extended Payment Terms) the basis for determining revenue in our Car Rental and Tourism division has been revised. Comparatives have been restated accordingly.

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

	2006 Rm	2005 Rm
Revenue – new method	1 315	1 193
Revenue – old method	1 247	1 134
Revenue restatement	68	59

Comparatives on the segmental analysis have been restated accordingly.

4 Impact of new issued standards

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

IAS 1 – Amendment to International Accounting Standard 1 – Presentation of Financial Statements: Capital Disclosures

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

IAS 21 – Amendment to International Accounting Standard 21 – The Effects of Changes in Foreign Exchange Rates: Net Investment in a Foreign Operation

The amendment clarifies the requirements of IAS 21 regarding an entity's investment in foreign operations. The amendment does not have an impact on the group, and first becomes applicable for the financial year ending 25 June 2007.

IAS 39 – Financial Instruments: Recognition and Measurement Amendments

The amendment clarifies embedded derivatives (paragraph 11A) and fair value considerations (paragraph 48A.) The application of the amendments is not expected to have a significant impact on the group's reported results, financial position and cash flows. The amendment first becomes applicable for the financial year ending 25 June 2007.

IFRS 7 – Financial Instruments: Disclosures

The IFRS essentially combines IAS 30 – Disclosure in The Financial Statements of Banks and IAS 32 – Financial Instruments: Disclosure and Presentation. The standard first becomes applicable to the group for the financial year ending 25 June 2008, and is not expected to have any impact on the group.

IFRIC 4 – Determining Whether an Arrangement Contains a Lease

The interpretation deals with arrangements which may not take the legal form of a lease, but which on application of the interpretation could be lease agreements.

This interpretation is expected to have implications on current arrangements and contracts of the group, and could impact the assets recognised on the group's balance sheet and that of its customers. It is difficult to quantify the impacts currently, but the implications of the standard are being studied. The interpretation first becomes applicable to the group for the financial year ending 25 June 2007.

IFRIC 5 – Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

The interpretation deals with the rights of contributors to decommissioning, restoration and environmental rehabilitation funds and how to account for such interests. The group is not impacted by the interpretation which becomes applicable for the first time for the financial year ending 25 June 2007.

IFRIC 7 – Applying the Restatement Approach under IAS 29 – Financial Reporting in Hyperinflationary Economies

The interpretation clarifies the requirements under IAS 29 – Financial Reporting in Hyperinflationary Economies, relating to two issues that constituents had raised with the IFRIC:

1 How comparative amounts in financial statements should be restated when an entity identifies the existence of hyperinflation in the economy of the currency in which its financial statements are measured (its "functional currency"); and
2 How deferred tax items in the opening balance sheet should be restated.

The interpretation does not have an impact on the group and first becomes effective for the financial year ending 25 June 2007.

IFRIC 9 – Reassessment of Embedded Derivatives

The interpretation clarifies that an entity shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.

The interpretation will have no impact on the group's results, and first becomes applicable for the financial year ending 25 June 2007.

IFRIC 10 – Interim Financial Reporting

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

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

AC 503 – Accounting for Black Economic Empowerment (BEE) Transactions

AC 503 covers the following three issues:

1 Should the difference between the fair value of the equity instruments granted and the cash and other assets received, i.e. BEE equity credentials, be recognised as an intangible asset, or as an expense?
2 Where BEE equity credentials are obtained as part of the net assets acquired in a business combination, how should the BEE equity credentials acquired be accounted for?
3 Assuming that BEE equity credentials do not meet the criteria for recognition as an intangible asset, how should vesting be interpreted in the context of BEE transactions?

AC 503 will not have an impact on the group, and becomes applicable for the year ending 25 June 2007. Our BEE transactions were concluded prior to this statement becoming effective and therefore no restatement will be necessary.

Notes to the group annual financial statements

	Goodwill Rm	Computer software Rm	Other Rm	Total Rm
5 Intangible assets				
Year ended 25 June 2006				
– Cost	1 030	168	48	1 246
– Accumulated impairment and amortisation	143	138	20	301
	887	30	28	945
Net book value at beginning of year	588	29	5	622
Net acquisition of subsidiaries and businesses	288	2		290
Additions		20	26	46
Impairment cost	(43)			(43)
Amortisation		(22)	(2)	(24)
Currency adjustments	54	1	(1)	54
Net book value at end of year	887	30	28	945
Year ended 25 June 2005 – restated to IFRS				
– 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)
Impairment cost	(67)			(67)
Amortisation		(19)	(1)	(20)
Currency adjustments	10	1	(1)	10
Net book value at end of year	588	29	5	622

Goodwill impairment testing

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

Value in use

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

Fair value less costs to sell

Fair value 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. These amounts were tested for impairment and no impairment was required.

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

Cash Generating Unit (CGU)	Carrying amount 2006 Rm	Basis for determining recoverable amount	Discount rate applied to cash flow	Growth rate used to extrapolate cash flow
Imperial Reederei GmbH	222	Value in use	11.6%	2.0%
Tourism Investment Corporation Limited	144	Fair value		
Lex group	64	Value in use	8.0%	3.7%
MCC	33	Value in use	9.2%	2.5%

	2006 Rm	Restated 2005 Rm
6 Investments in associates and joint ventures		
Unlisted shares at cost	341	445
Share of post-acquisition reserves (net of impairments)	710	447
Goodwill written off	(22)	(22)
Carrying value of shares	1 029	870
Indebtedness by associates and joint ventures	573	545
	1 602	1 415
Valuation of shares		
Unlisted shares at directors' valuation	1 029	870

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 Rm	Other Rm	2006 Rm	Restated 2005 Rm
INCOME STATEMENTS				
Revenue	210	195	405	522
Profit before net financing costs	146	26	172	175
Net finance cost	(94)	(14)	(108)	(119)
Profit before taxation	52	12	64	56
Income tax expense	(16)	(3)	(19)	(25)
Net profit for the year	36	9	45	31
BALANCE SHEETS				
Total assets	1 288	470	1 758	1 578
Capital and reserves, including minorities	(318)	21	(297)	(339)
Interest-bearing borrowings	934	80	1 014	1 241
Non-interest-bearing liabilities	672	369	1 041	676
Total equity and liabilities	1 288	470	1 758	1 578

	Analysis of associates			
	Imperial Bank Rm	Other Rm	2006 Rm	Restated 2005 Rm
INCOME STATEMENTS				
Revenue	580	2 770	3 350	2 621
Profit before net financing costs	235	99	334	205
Net finance cost		(21)	(21)	(9)
Profit before taxation	235	78	313	196
Income tax expense	(56)	(20)	(76)	(41)
Net profit for the year	179	58	237	155
BALANCE SHEETS				
Total assets	12 770	1 254	14 024	10 288
Capital and reserves, including minorities	849	324	1 173	910
Interest-bearing borrowings	11 705	270	11 975	8 640
Non-interest-bearing liabilities	216	660	876	738
Total equity and liabilities	12 770	1 254	14 024	10 288

Notes to the group annual financial statements

	Land, buildings and leasehold improvements Rm	Equipment and furniture Rm	Motor vehicles Rm	Total Rm
7 Property, plant and equipment				
Year ended 25 June 2006				
– Cost	3 767	2 283	362	6 412
– Accumulated depreciation and impairment	564	1 455	162	2 181
	3 203	828	200	4 231
Net book value at beginning of year	2 036	616	129	2 781
Net acquisition of subsidiaries and businesses	272	80	23	375
Additions	942	332	122	1 396
Disposals	(130)	(33)	(49)	(212)
Depreciation	(53)	(198)	(38)	(289)
Impairment costs	(4)	(6)		(10)
Profit (loss) on disposal	13	(3)	2	12
Currency adjustments	127	40	11	178
Net book value at end of year	3 203	828	200	4 231
Year ended 25 June 2005 – restated to IFRS				
– Cost	2 444	1 545	263	4 252
– Accumulated depreciation and impairment	408	929	134	1 471
	2 036	616	129	2 781
Net book value at beginning of year	1 664	552	118	2 334
Net acquisition of subsidiaries and businesses	62	38	4	104
Additions	373	214	76	663
Disposals	(34)	(24)	(39)	(97)
Depreciation	(57)	(173)	(36)	(266)
Profit (loss) on disposal	2	(1)	5	6
Currency adjustments	26	10	1	37
Net book value at end of year	2 036	616	129	2 781

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

	2006 Rm	Restated 2005 Rm
The total value of property, plant and equipment held under capitalised finance leases included above	40	33
8 Transport fleet		
Cost	4 356	4 051
Accumulated depreciation and impairment	1 786	1 602
	2 570	2 449
Net book value at beginning of year	2 449	2 243
Net (disposal) acquisition of subsidiaries and businesses	(166)	50
Additions	846	733
Disposals	(277)	(261)
Depreciation	(335)	(346)
Impairment costs	(2)	
Profit on disposal	19	20
Currency adjustments	36	10
Net book value at end of year	2 570	2 449
The total value of transport assets held under capitalised finance leases included above	12	20

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

	Aviation leasing fleet Rm	Leasing and Fleet Management Forklifts Rm	Vehicles Rm	Earth-moving Rm	Distributorship vehicles Rm	Total Rm
9 Leasing assets						
Year ended 25 June 2006						
– Cost	2 516	1 181	3 076	1 165	465	8 403
– Accumulated depreciation and impairment	478	187	783	467	45	1 960
	2 038	994	2 293	698	420	6 443
Net book value at beginning of year	1 883	947	2 017		227	5 074
Net acquisition of subsidiaries and businesses				486		486
Additions	502	492	966	289	694	2 943
Disposals	(185)	(282)	(324)	(15)	(433)	(1 239)
Depreciation	(190)	(228)	(407)	(67)	(53)	(945)
Impairment costs					(11)	(11)
Profit on disposal	49		31	5	2	87
Currency adjustments	(21)	65	10		(6)	48
Net book value at end of year	2 038	994	2 293	698	420	6 443
Year ended 25 June 2005 – restated to IFRS						
– Cost	2 777	1 488	2 617		228	7 110
– Accumulated depreciation and impairment	894	541	600		1	2 036
	1 883	947	2 017		227	5 074
Net book value at beginning of year	1 551	859	1 468		138	4 016
Net acquisition of subsidiaries and businesses	31		19			50
Additions	506	512	1 050		393	2 461
Disposals	(74)	(214)	(232)		(277)	(797)
Depreciation	(191)	(234)	(322)		(30)	(777)
Profit on disposal	52		41		2	95
Currency adjustments	8	24	(7)		1	26
Net book value at end of year	1 883	947	2 017		227	5 074

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

	2006 Rm	Restated 2005 Rm
The total value of leasing assets held under capitalised finance leases included above	438	259
10 Vehicles for hire		
Cost	1 107	976
Accumulated depreciation	211	186
	896	790
Net book value at beginning of year	790	734
Additions	933	811
Disposals	(670)	(654)
Depreciation	(199)	(153)
Profit on disposal	42	51
Currency adjustments		1
Net book value at end of year	896	790

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

Notes to the group annual financial statements

	2006 Rm	Restated 2005 Rm
11 Deferred taxation		
Movement of deferred tax assets and liabilities		
Balance at beginning of year	356	109
Transferred this year	146	197
Prior year underprovisions	3	21
Tax rate adjustment		(6)
Capital gains	5	31
Arising on acquisitions and disposals	19	8
Currency adjustments	(14)	(4)
	515	356
Analysis of deferred tax assets and liabilities		
– Property, plant and equipment	5	17
– Transport fleet	388	275
– Leasing assets	715	605
– Vehicles for hire	34	23
– Inventories	(58)	(93)
– Taxation losses	(288)	(287)
– Provisions	(231)	(198)
– Capital gains	138	122
– Other	(188)	(108)
	515	356
Deferred tax comprises		
– Assets	(426)	(339)
– Liabilities	941	695
	515	356
Unused tax losses available for offset against future profits	(1 268)	(1 317)
Deferred tax asset recognised in respect of such losses	993	990
Remaining tax losses not recognised as deferred tax assets due to unpredictability of future profit streams	(275)	(327)
12 Other investments and loans		
Investments		
Listed, at market value	1 479	1 121
Unlisted at fair value	171	91
	1 650	1 212
The above are categorised as follows:		
– Held for trading	1 479	1 121
– Available for sale	171	91
	1 650	1 212
A schedule of investments is available for inspection by members or their authorised agents at the registered office of the company.		
Loans		
Share incentive trust receivables	454	
Other loans	104	72
	558	72
Total other investments and loans	2 208	1 284
Maturity analysis of share incentive trust receivables		
– Maturing after one year but within five years	429	
– Maturing after five years	25	
	454	

	2006 Rm	Restated 2005 Rm
12 Other investments and loans (continued)		
Maturity analysis of other loans		
– Maturing within one year	80	32
– Maturing after one year but within five years	13	32
– Maturing after five years	11	8
	104	72
Maturity analysis of total loans		
– Maturing within one year	80	32
– Maturing after one year but within five years	442	32
– Maturing after five years	36	8
	558	72
Effective interest rates		
Share incentive trust receivables	8.0%	0% – 8.0%
Other loans	5.5% – 16.5%	3.3% – 13.5%
13 Other non-current financial assets		
Reinsurance debtors	451	412
Cross-currency swap instruments	267	
	718	412
14 Inventories		
New vehicles	4 010	2 845
Used vehicles	1 754	1 416
Used aircraft	110	181
Spares, accessories and finished goods	1 188	748
Petrol and oil	60	26
Merchandise	346	286
Work in progress	67	84
	7 535	5 586
Inventories carried at net realisable value included above	3 015	2 036
Net amount of inventory write down expensed in the income statement	24	59
15 Trade and other receivables		
Trade	7 306	5 367
Prepayments and other	218	177
Derivatives at fair value	724	208
	8 248	5 752
16 Cash resources		
Deposits and funds at call	893	669
Cash on hand and at bank	737	374
	1 630	1 043
Effective interest rates	3.0% – 6.75%	2.0% – 6.3%

Notes to the group annual financial statements

	2006 Rm	Restated 2005 Rm
17 Share capital and premium		
Authorised share capital		
434 999 000 (2005: 434 999 000) ordinary shares of 4 cents each	17	17
50 000 000 (2005: 50 000 000) deferred ordinary shares of 4 cents each	2	2
15 000 000 (2005: 15 000 000) preferred ordinary shares of 4 cents each	1	1
1 000 (2005: 1 000) redeemable preference shares of 4 cents each		
	20	20
Issued share capital		
207 896 450 (2005: 205 394 949) ordinary shares of 4 cents each	8	8
21 015 388 (2005: 22 755 389) deferred ordinary shares of 4 cents each	1	1
14 516 617 (2005: nil) preferred ordinary shares of 4 cents each	1	
	10	9
Share premium	1 752	1 920
	1 762	1 929

Deferred ordinary shares

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

If the deferred ordinary shares have not converted by 2018 then 500 000 deferred ordinary shares will convert annually until the converted deferred ordinary shares equate to 10.1% of total ordinary shares in issue net of treasury stock.

The salient features of the conversion are:

During the first seven years:

- Base headline earnings hurdles have been set for the first seven financial years commencing at R1 634 million in June 2004 and increasing annually at a compound growth rate of 13%.
- A portion of earnings in excess of the base headline earnings hurdles would equate to the notional value that is attributed to Ukhamba Holdings, the holders of the deferred ordinary shares.
- The portion attributable to Ukhamba will be calculated as follows:
  Earnings within a 13% to 15% growth rate on the previous year's base headline earnings hurdle: 25% attributed to Ukhamba.
  Earnings within a 15% to 17% growth rate on the previous year's base headline earnings hurdle: 50% attributed to Ukhamba.
  Earnings in excess of 17% growth rate on the previous year's base headline earnings hurdle: 75% attributed to Ukhamba.
- At the end of each financial year, the amount calculated as value attributed to Ukhamba will be translated into a number of ordinary shares based on a five-month volume-weighted average share price.
- It will be this number of shares that will become ordinary shares on an annual basis.
- The maximum number of deferred ordinary shares that can convert in any one year is 2.5% of the weighted number of ordinary shares in issue.
- Earnings within a 10% to 13% growth rate will give rise to a minimum of 1 million ordinary shares being converted.

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 equal or exceed
  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 are 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.

During the current financial year 1 740 001 deferred ordinary shares were converted into ordinary shares. After the financial year-end a further 1 721 529 deferred ordinary shares were converted into ordinary shares, and were listed on the Johannesburg Securities Exchange.

Preferred ordinary shares

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

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

– Although not listed, they will rank *pari passu* in all respects with all ordinary shares in respect of voting.
– They will automatically convert into ordinary shares on 30 September 2010 on a one-for-one basis.
– Upon conversion, they will rank *pari passu* in all respects with ordinary shares and be listed on the JSE.
– They will confer on the holders the right to receive a cumulative fixed annual dividend or capital distribution of 535 cents p.a. 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.

17 Share capital and premium (continued)

Share scheme details are as follows:

	Number of shares 2006	2005
Imperial share incentive trust		
The number of ordinary shares authorised	6 000 000	6 000 000
Shares allocated at beginning of year	4 901 500	4 901 500
Shares allocated during the year	63 600	
Shares allocated at end of year	4 965 100	4 901 500
Ordinary shares still available to the trust	1 034 900	1 098 500
Imperial executive purchase scheme		
The number of ordinary shares authorised	4 500 000	
Shares allocated during the year	3 232 300	
Ordinary shares still available to the trust	1 267 700	

	2006 Number of shares	2006 Weighted average exercise price R	2005 Number of shares	2005 Weighted average exercise price R
Share option scheme				
Total ordinary shares authorised	9 500 000		9 500 000	
Less: options exercised	6 516 067		6 235 867	
	2 983 933		3 264 133	
Options granted at beginning of year	890 450	42.33	1 793 050	42.30
Options exercised during the year	(280 200)	45.12	(830 100)	42.43
Options forfeited during the year	(49 600)	34.02	(72 500)	39.01
Unexercised options at end of year	560 650	41.14	890 450	42.33
Ordinary shares still available under the scheme	2 423 283		2 373 683	
Imperial Holdings share purchase scheme				
Options granted at beginning of year	1 653 500	54.52	2 097 800	55.28
Options exercised during the year	(754 000)	51.46	(438 300)	59.36
Options forfeited during the year	(50 000)	55.13	(6 000)	59.73
Unexercised options at the end of year	849 500	57.28	1 653 500	54.52
Imperial bonus rights scheme				
The number of ordinary shares authorised	900 000			
Options granted during the year and not exercised at year-end	685 100	100.78		
Ordinary shares still available under the scheme	214 900			

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

Grant date	No. of options	Average price R	Expiry date
July 1996 to June 1997	3 000	56.00	July 2006 to June 2007
July 1997 to June 1998	1 500	60.00	July 2007 to June 2008
July 1998 to June 1999	497 850	39.21	July 2008 to June 2009
July 1999 to June 2000	58 300	56.35	July 2009 to June 2010
Total unexercised options at end of year	560 650		
Total weighted average price		41.14	

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

Grant date	No. of options	Average price R	Expiry date
July 2002 to June 2003	416 000	52.37	August 2006 to August 2007
July 2003 to June 2004	433 500	61.99	August 2007 to August 2008
Total unexercised options at end of year	849 500		
Total weighted average price		57.28	

Bonus rights scheme – details of shares by year of grant

Grant date	No. of options	Average price R	Expiry date
July 2005	685 100	100.78	June 2009

Notes to the group annual financial statements

Director	2006 Number of shares Beneficial	2006 Number of shares Non-beneficial	2005 Number of shares Beneficial	2005 Number of shares Non-beneficial
Directors' interests in issued share capital				
At year-end the aggregate shareholdings of the directors in the issued ordinary share capital of the company were as detailed below.				
Non-executive				
L Boyd	928		928	
PL Erasmus		13 065		13 065
MJ Leeming		928		928
VJ Mokoena	25 000			
CE Scott	403 015		403 015	
RJA Sparks (appointed 2 July 2006)	27 825			
Y Waja	927			927
	457 695	13 993	403 943	14 920
Executive				
WG Lynch	9 540 348		9 265 349	
RJ Boëttger	119 275		9 275	
MP de Canha	684 027		91 612	264 215
RL Hiemstra	184 815		103 815	
AH Mahomed	201 509	6 599	137 909	8 753
	10 729 974	6 599	9 607 960	272 968
	11 187 669	20 592	10 011 903	287 888

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

	2006 Rm	Restated 2005 Rm
18 Share repurchases and consolidated shares		
Shares in Imperial Holdings Limited		
20 252 955 (2005: 19 480 839) ordinary shares at an average price of R86.04 (2005: R90.33) each	(1 743)	(1 730)
14 516 617 (2005: nil) preferred ordinary shares	(754)	(30)
	(2 497)	(1 760)
19a Other reserves		
Share-based payment reserve	69	96
Hedging reserve	615	80
Statutory reserves	240	98
Gains on revaluation of foreign investments	348	83
Associate reserves		119
	1 272	476

Share-based payment reserve

Share incentive schemes

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

Share purchase scheme

Volatility (%)	10.43%
Weighted average share price (Rand)	58.12
Weighted average exercise price (Rand)	58.12
Expected life (years)	4
Average risk-free rate (%)	6.69%
Expected dividend yield (%)	4.33%

Bonus rights scheme

Volatility (%)	25.00%
Weighted average share price (Rand)	123.50
Weighted average exercise price (Rand)	100.78
Expected life (years)	3.57
Average risk-free rate (%)	7.39%
Expected dividend yield (%)	3.30%

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

	2006 Rm	Restated 2005 Rm

19a Other reserves (continued)

Lereko transaction

Imperial entered into a black economic empowerment transaction with Lereko Mobility (Pty) Limited. The substance of this transaction was to grant the Lereko Consortium a call option over the delivery of a variable number of shares on 15 June 2015. This would be determined by the amount by which the value of 14 516 617 Imperial Holdings Limited ordinary shares exceeded the settlement of the funding. The Monte Carlo simulation method was used to value this call option evaluating 100 000 potential outcomes for the call option granted on 15 June 2005 and vesting on 15 June 2015. The start price was R96.85.

The amount of R95 million was raised as a prior adjustment to the 25 June 2005 income statement.

Share-based payment costs

The amounts raised in the income statement and included in net operating expenses are detailed in note 28.

19b Translation reserve

	2006 Rm	Restated 2005 Rm
Opening balance at beginning of year	83	128
Movements in translation reserves		
Transferred to retained earnings		(128)
Intangible assets	54	10
Investments, loans, associates and joint ventures	47	(7)
Property, plant and equipment	178	37
Transport fleet	36	10
Leasing assets	48	26
Vehicles for hire		1
Deferred taxation	14	4
Inventories	205	4
Current taxation	(10)	(1)
Trade and other receivables	335	64
Cash and cash equivalents	160	10
Minorities	(18)	(4)
Retirement benefit obligations	(24)	(9)
Interest-bearing borrowings	(394)	(16)
Liabilities under insurance contracts	(4)	5
Provisions for liabilities and charges	(36)	(4)
Trade and other payables	(326)	(47)
Closing balance at end of year	348	83

20 Equity-settled interest-bearing borrowings

	2006 Rm	Restated 2005 Rm
Debentures	405	
Redeemable preference shares	354	
Accrued dividends and interest	35	
	794	

The preference shares are redeemable by Lereko Mobility by no later than 1 October 2010 and have a fixed coupon of 7.33% payable semi-annually on 31 March and 30 September each year. The preference shares rank in priority to the debenture holders.

The debentures issued by Lereko Mobility are asset-backed securities in terms of the JSE Listing Requirements and are unsecured. Interest at 5% p.a. is payable semi-annually on 1 April and 1 October each year. The debentures are redeemable on 1 October 2010 for an amount equal to its principal amount of R41.50 plus a further amount which will depend on the performance of an Imperial share. This equity-linked investment bonus is calculated as 25% of the amount by which the value of an Imperial share exceeds R145.25 in October 2010, multiplied by 14 533 096 being the number of Lereko debentures in issue.

Lereko Mobility is Imperial's 49% owned black economic empowerment partner and has been consolidated (100%) due to the residual risk retained by the funding structure. Lereko Mobility owns 14 516 617 preferred ordinary shares in Imperial.

The total debt due in October 2010 will be settled by Lereko Mobility by utilising its Imperial shares and will have no impact on the cash flows of the group. On settlement of the debt Lereko Mobility will no longer be consolidated.

Notes to the group annual financial statements

	2006 Rm	Restated 2005 Rm
21 Retirement benefit obligations		
Defined contribution plans		
The group provides retirement benefits through independent funds under the control of trustees and all contributions to those funds are charged to the income statement. The large majority of South African employees, other than those employees required by legislation to be members of various industry funds, are members of the Imperial Group Pension Fund and the Imperial Group Provident Fund which are governed by the Pensions Funds Act, 1956.		
Total cost charged to the income statement	298	254

Defined benefit plans

Imperial Logistics International GmbH, a subsidiary located in Germany, operates a number of unfunded defined benefit plans for its employees in Europe. Under the plans the employees are entitled to retirement benefits which are dependent on seniority, length of service and level of pay.

The benefit obligations in Europe are provided for based on actuarial valuations prepared using the Projected Unit Credit method, with the following assumptions:

	2006 Rm	Restated 2005 Rm
– Discount rate	4.25%	4.50%
– Projected pension payment increase	1.75%	1.75%
– Projected salary and other contribution increase	2.00%	2.25%
– Fluctuation rate	0% – 8.00%	1% – 6.00%
The latest actuarial valuation was performed on 11 May 2006. In the opinion of the actuary, the provision for the defined benefit obligations is adequate. The next valuation will be conducted in May 2007.		
The amounts, included in staff costs, recognised in the income statement in respect of the plans are as follows:		
Current service cost	4	2
Interest costs	9	8
	13	10
The amounts included in the balance sheet arising from the group's obligations are as follows:		
Present value of unfunded obligations	218	190
Movements in the net liability in the current year were as follows:		
Balance at beginning of year	190	214
Acquisition (disposal) of subsidiary	4	(33)
Contributions	(13)	(10)
Currency adjustments	24	9
Amounts charged to income	13	10
Balance at end of year	218	190
22 Interest-bearing borrowings		
Long-term		
– Loans secured by mortgage bonds over fixed property	42	34
– Liabilities under capitalised finance leases	270	250
– Instalment sale creditors secured by leasing assets	261	176
– Corporate bonds	6 117	2 753
Listed on the Bond Exchange of South Africa		
- Held at fair value – IPL 1		842
- Held at fair value – IPL 2	1 310	907
- Held at amortised cost – IPL 3	1 005	1 004
- Held at amortised cost – ICL 1	1 029	
Listed on the gilt-edged and fixed-interest market of the London Stock Exchange		
- Held at amortised cost – Eurobond	1 388	
- Held at fair value – Eurobond	1 385	
– Unsecured loans	736	964
	7 426	4 177

	2006 Rm	Restated 2005 Rm

22 Interest-bearing borrowings (continued)

	2006 Rm	Restated 2005 Rm
Short-term		
– Unsecured loans, call borrowings and bank overdrafts	1 072	1 215
– Commercial paper	2 201	2 170
	3 273	3 385
Total borrowings	10 699	7 562
Less: Current portion of interest-bearing borrowings	3 916	4 933
Long-term borrowings	6 783	2 629

Interest rate analysis	Effective rates	2006 Rm	Restated 2005 Rm
Fixed			
– Mortgage bonds, capitalised finance leases and instalment sale creditors	5.0 % – 15.0 %	200	56
– Capitalised finance leases	16%	89	87
– Corporate bonds – IPL 1	10.07 %		842
– Corporate bonds – IPL 2	9.78 %	873	907
– Corporate bonds – IPL 3	10.07 %	1 005	1 004
– Corporate bonds – ICL1	8.50 %	1 029	
– Eurobond	4.87%	1 388	
– Unsecured loans	2.0% – 6.0%	77	128
– Unsecured loans	8.0% – 11.0%	73	274
– Commercial paper	7.23% – 7.32%	2 201	2 170
Variable linked			
– Mortgage bonds, capitalised finance leases and instalment sale creditors	9.0% – 11.0%	284	317
– Corporate bond – IPL 2	8.08%	437	
– Eurobond	8.15%	1 385	
– Unsecured loans	4.0% – 5.0%	26	53
– Unsecured loans	8.0% – 11.0%	298	112
– Unsecured loans	6.5% – 9.5%	382	553
– Call borrowings	7.08%	945	1 042
– Bank overdrafts	4.0% – 7.5 %	7	17
		10 699	7 562

See note 40 for interest rate swap arrangements.

Capitalised finance leases	More than five years Rm	One to five years Rm	Less than one year Rm	2006 Rm	Restated 2005 Rm
Total minimum lease payments	111	150	127	388	407
Less: Amounts representing finance charges	25	61	32	118	157
Present value of minimum lease payments	86	89	95	270	250

Summary of long-term borrowings by currency and by year of redemption or repayment	2011 and onwards Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm	Total Rm	2005 Rm
SA Rand	2 213	37	136	1 481	3 395	7 262	6 756
British Pound					5	5	19
Euro	2 837	17	21	31	58	2 964	217
Botswana Pula					79	79	58
Australian Dollar					329	329	483
Other			3	7	50	60	29
	5 050	54	160	1 519	3 916	10 699	7 562

Notes to the group annual financial statements

Details of encumbered assets	Debt secured 2006 Rm	Debt secured Restated 2005 Rm	Net book value of assets encumbered 2006 Rm	Net book value of assets encumbered Restated 2005 Rm
22 Interest-bearing borrowings (continued)				
Property, plant and equipment	42	33	90	76
Transport fleet	651	176	894	187
Leasing assets	765	251	1 167	358
Vehicles for hire	488		763	
	1 946#	460	2 914#	621

#These amounts include fleets financed through Imperial Capital Limited which has a security structure for the lenders to that entity.

Borrowing facilities	2006 Rm	2005 Rm
Total facilities established	10 639	5 479
Less: Utilised for guarantees and letters of credit	623	440
	10 016	5 039
Less: Total borrowings, excluding commercial paper issues and corporate bonds	2 381	2 639
Unutilised borrowing capacity	7 635	2 400

In terms of the Articles of Association the borrowing powers of the group are unlimited.

	2006 Rm	Restated 2005 Rm
23 Liabilities under insurance contracts		
Long-term insurance funds	781	606
Short-term insurance funds	537	372
Reinsurance funds	13	
	1 331	978

See annexure C for further details.

	2006 Rm
24 Other non-current financial liabilities	
Embedded derivative financial instrument	127
	127

25 Provisions for liabilities and other charges

	Leave pay Rm	Bonuses Rm	Warranty and after-sales Rm	Insurance claims Rm	Other Rm	Total Rm
Year ended 25 June 2006						
Balance at beginning of year	188	119	84	116	200	707
Amounts added	188	135	42	167	137	669
Unused amounts reversed	(12)	(3)	(7)	(1)	(32)	(55)
Charged to income	176	132	35	166	105	614
Amounts utilised	(131)	(102)	(82)	(115)	(60)	(490)
Net acquisition of subsidiaries and businesses	(1)	6		3	50	58
Currency adjustments	10	1			25	36
Balance at end of year	242	156	37	170	320	925
Payable in less than one year						705
Payable in one to five years						106
Payable in more than five years						114
						925

	Leave pay Rm	Bonuses Rm	Warranty and after-sales Rm	Insurance claims Rm	Other Rm	Total Rm

25 Provisions for liabilities and other charges (continued)

Year ended 25 June 2005 – restated to IFRS	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	123	494
Amounts added	133	102	91	117	128	571
Unused amounts reversed	(5)	(6)	(2)	(2)	(4)	(19)
Charged to income	128	96	89	115	124	552
Amounts utilised	(108)	(79)	(56)	(67)	(57)	(367)
Net acquisition of subsidiaries and businesses	15		2		9	26
Currency adjustments	1				1	2
Balance at end of year	188	119	84	116	200	707
Payable in less than one year						664
Payable in one to five years						7
Payable in more than five years						36
						707

26 Trade and other payables

	2006 Rm	Restated 2005 Rm
Trade	5 127	3 501
Other payables and accruals	4 629	4 527
Deferred income	836	499
Fair value of derivatives	28	24
	10 620	8 551
Less: Treasury stock buy-back liability disclosed separately		1 438
	10 620	7 113

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 consequently accrued in the previous financial year although settlement only took place on 27 June 2005. 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.

27 Revenue

	2006 Rm	Restated 2005 Rm
An analysis of the group's revenue is as follows:		
Sales of goods	32 438	22 657
Rendering of services	19 160	18 181
Gross premiums received	2 442	1 709
Other	65	58
	54 105	42 605
Revenue includes:		
Intergroup revenue received by subsidiaries from the group's associates, joint ventures and Pension and Provident Funds		
Sales of goods	185	209
Rendering of services	143	86
Gross premiums received	165	64
	493	359
Intergroup revenue includes:		
Revenue between subsidiaries	1 819	1 964

Notes to the group annual financial statements

	Note	2006 Rm	Restated 2005 Rm
28 Net operating expenses			
Purchase of goods		30 682	21 803
Changes in inventories, before net acquisition of subsidiaries and businesses		(1 423)	(1 533)
Cost of outside services		7 238	8 359
Reinsurance, claims and premium costs		2 130	1 607
Financial services – interest paid	30	7	10
Staff costs		5 755	4 986
Staff share-based payments		5	2
Lereko initial share-based payment			95
Other operating income		(665)	(505)
Other operating costs		4 286	2 997
		48 015	37 821
The above costs include:			
Auditors remuneration			
Audit fees		42	33
Other services		6	6
		48	39
Rental and operating lease charges			
Property		502	376
Plant and equipment		58	52
Vehicles		20	19
		580	447
Investment income		(105)	(83)
Fair value gains on investments		(273)	(190)
Impairment of property, plant and equipment, transport fleet and leasing assets		23	
Consultancy and other technical fees		24	51
29 Depreciation, amortisation and recoupments			
Intangible assets		24	20
Property, plant and equipment		289	266
Transport fleet		335	346
Leasing assets		945	777
Vehicles for hire		199	153
		1 792	1 562
Profit on disposal of property, plant and equipment		(12)	(6)
Profit on disposal of transport fleet		(19)	(20)
Profit on disposal of leasing assets		(87)	(95)
Profit on disposal of vehicles for hire		(42)	(51)
		1 632	1 390
30 Financing			
Non-financial services businesses			
Interest paid		914	616
Capitalised to property, plant and equipment		(4)	(1)
Foreign exchange loss on monetary items		284	
Fair value (gains) losses arising from interest-bearing borrowings and interest swap instruments		(310)	32
		884	647
Finance income		(102)	(61)
Net finance cost		782	586
Analysis of financial services businesses interest included in profit from operations			
Interest on advances and investments		90	75
Less: Interest from group companies		3	9
Net interest on advances included in investment income		87	66
Less: Net interest paid included in operating expenses		7	10
Net interest paid		80	56

	2006 Rm	Restated 2005 Rm
31 Exceptional items		
Impairment of goodwill	(43)	(67)
(Loss) profit on disposal of investments in subsidiaries and associates and joint ventures	(10)	344
Loss on closure of business		(19)
	(53)	258
Attributable to minorities	6	1
Attributable to Imperial Holdings' shareholders	(47)	259
32 Income tax expense		
Income tax charge		
South African normal taxation		
– Current	847	570
– Prior year underprovisions	123	95
	970	665
Foreign taxation		
– Current	65	65
– Prior year overprovisions		(1)
	65	64
Deferred		
– Current	146	197
– Prior year underprovisions	3	21
– Tax rate adjustment		(6)
	149	212
Secondary and withholding taxation	34	16
Capital gains		
– Current	11	1
– Deferred	5	31
	16	32
	1 234	989
Reconciliation of tax rates:	%	%
Profit before taxation, excluding exceptional items and income from associates and joint ventures – effective rate	35.4	33.8
Income tax effect of:		
– Foreign tax differential	(0.4)	0.4
– Taxation assets not recognised	0.4	
– Disallowable charges	(2.5)	(2.7)
– Exempt/capital income	1.2	2.7
– Secondary tax on companies	(1.0)	(0.5)
– Capital gains	(0.5)	(1.1)
– Tax rate adjustment		0.2
– Prior year underprovisions	(3.6)	(3.8)
	29.0	29.0

33 Dividends and capital distributions

Ordinary shares

Interim

– Instead of an ordinary dividend, a capital distribution of 230 cents per share was made on 3 April 2006.

– In the prior year, instead of an ordinary dividend, a capital distribution of 175 cents per share was made on 22 March 2005.

Final

– Instead of an ordinary dividend, a capital distribution of 244 cents per share is payable on 2 October 2006.

– In the prior year, instead of an ordinary dividend, a capital distribution of 220 cents per share was made on 3 October 2005.

Preferred ordinary shares

Interim

– Instead of an ordinary dividend, a capital distribution of 267.5 cents per share was made on 31 March 2006.

Final

– Instead of an ordinary dividend, a capital distribution of 267.5 cents per share is payable on 29 September 2006.

Notes to the group annual financial statements

	2006 Rm	Restated 2005 Rm
34 Earnings per share		
Basic earnings per share are calculated by dividing the profit after tax attributable to equity holders of Imperial Holdings by the weighted average number of ordinary shares in issue during the year.		
Profit after tax attributable to equity holders of Imperial Holdings	2 247	2 184
Weighted average number of ordinary shares	187.5	2 00.4
Basic earnings per share (cents)	1 198.1	1 089.8
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	187.5	2 00.4
Adjusted for share options and deferred ordinary shares	12.0	13.0
Weighted average number of ordinary shares for diluted earnings	199.5	213.4
Diluted earnings per share (cents)	1 125.8	1 022.2
Headline earnings and headline diluted earnings per share are calculated as follows:		
Net profit attributable to ordinary shareholders	2 247	2 184
Impairment of property, plant and equipment, net of taxation	8	
Profit on disposal of property, plant and equipment, net of taxation	(10)	(5)
Goodwill amortised, net of taxation		
Exceptional items, net of taxation and minority share (note 31)	46	(238)
Headline earnings and headline diluted earnings	2 291	1 941
Weighted average number of ordinary shares	187.5	2 00.4
Headline basic earnings per share (cents)	1 222.1	968.8
Weighted average number of ordinary shares for diluted earnings	199.5	213.4
Headline diluted earnings per share (cents)	1 148.3	908.8
35 Notes to the cash flow statements		
a Cash-generated by operations		
Profit before net financing costs	4 272	3 508
Adjustments for non-cash movements		
– Amortisation of intangible assets, net of recoupments	24	20
– Depreciation of property, plant and equipment	289	266
– Depreciation of transport fleet, net of recoupments	316	326
– Depreciation of leasing assets, net of recoupments	858	682
– Depreciation of vehicles for hire, net of recoupments	157	102
– Profit on disposal of property, plant and equipment	(12)	(6)
– Gains on disposal of insurance investments	(153)	(83)
– Impairment of assets	23	
– Fair value adjustments	(240)	(237)
– Recognition of share-based payments	5	97
– Net movement in insurance funds	349	229
– Increase in retirement benefit obligations	1	2
Cash generated by operations before changes in working capital	5 889	4 906
Working capital movements		
– Increase in inventories	(1 218)	(1 529)
– Increase in accounts receivable	(1 864)	(964)
– Increase in accounts payable	2 827	2 051
	5 634	4 464

	2006 Rm	Restated 2005 Rm

35 Notes to the cash flow statements (continued)

b Acquisition of subsidiaries and businesses

	2006 Rm	Restated 2005 Rm
Goodwill	290	174
Other intangibles	8	4
Associates	3	4
Property, plant and equipment	389	116
Transport fleet	30	55
Leasing assets	486	50
Deferred taxation	(28)	(3)
Other investments and loans	192	169
Inventories	530	437
Accounts receivable	633	399
Cash and cash equivalents	231	28
Minority interest	(123)	106
Retirement benefit obligations	(4)	
Interest-bearing borrowings	(553)	(783)
Liabilities under insurance contracts		(79)
Provisions	(64)	(37)
Accounts payable	(1 004)	(323)
Taxation owing	(14)	(5)
	1 002	312
Less: cash resources acquired	(231)	(28)
Cash flow on acquisition	771	284

c Disposals of subsidiaries

	2006 Rm	Restated 2005 Rm
Other intangibles	6	6
Property, plant and equipment	14	12
Transport fleet	196	5
Other investments and loans		139
Inventories	4	4
Taxation owing	(5)	(3)
Accounts receivable	48	229
Cash and cash equivalents	5	68
Minority interest	(11)	(6)
Retirement benefit obligations		(29)
Interest-bearing borrowings	(186)	(30)
Liabilities under insurance contracts		(158)
Deferred taxation	(9)	5
Provisions	(6)	(11)
Accounts payable	(25)	(201)
Net asset value	31	30
Less: cash resources disposed of	(5)	(68)
(Loss) profit on sale of subsidiary	(10)	325
Proceeds on disposal	16	287

d Net replacement capital expenditure

	2006 Rm	Restated 2005 Rm
Expenditure		
– Intangibles	(25)	(24)
– Property, plant and equipment	(457)	(290)
– Transport fleet	(305)	(403)
– Leasing assets	(1 897)	(1 273)
– Vehicles for hire	(818)	(758)
	(3 502)	(2 748)
Proceeds on disposals		
– Intangibles		4
– Property, plant and equipment	212	97
– Transport fleet	277	261
– Leasing assets	1 239	797
– Vehicles for hire	670	654
	2 398	1 813

Notes to the group annual financial statements

	2006 Rm	Restated 2005 Rm
35 Notes to the cash flow statements (continued)		
d Net replacement capital expenditure (continued)		
Net		
– Intangibles	(25)	(20)
– Property, plant and equipment	(245)	(193)
– Transport fleet	(28)	(142)
– Leasing assets	(658)	(476)
– Vehicles for hire	(148)	(104)
	(1 104)	(935)
e Cash and cash equivalents		
Cash resources	1 630	1 043
Short-term loans and overdrafts	(3 273)	(3 385)
	(1 643)	(2 342)
36 Commitments		
Capital expenditure commitments to be incurred		
Contracted	727	506
Authorised by directors but not contracted	311	152
	1 038	658

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

Operating lease commitments	More than five years	One to five years	Less than one year	2006 Rm	Restated 2005 Rm
Property	706	1 051	381	2 138	1 800
Vehicles	9	102	114	225	141
Plant and equipment	5	51	25	81	49
	720	1 204	520	2 444	1 990

37 Contingent liabilities

	2006 Rm	Restated 2005 Rm
The group has received an assessment from the South African Revenue Services relating to an off-shore company. The total amount of the claim is R382 million which includes penalties and interest. The company does not believe that the assessment is valid and will be defending the claim.	382	
The group 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
Subsidiaries have entered into buy-back agreements. The maximum exposure is R206 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.	206	354
A subsidiary company has guaranteed loans provided to a Driver Empowerment Scheme for a maximum of R35 million.	35	32
Time deposits were pledged by a foreign subsidiary amounting to R11 million as security for foreign bank accounts and customs duties.		11
Subsidiary companies have received summons for claims amounting to R67 million. The group and its legal advisors believe that these claims are unlikely to succeed.	67	110

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.

Leasing assets	More than five years	One to five years	Less than one year	2006 Rm	Restated 2005 Rm

38 Operating lease receivables

The minimum future lease payments receivable under non-cancellable operating leases are as follows:					
– Aviation leasing fleet		1 358	1 043	2 401	2 195
– Forklifts	64	755	230	1 049	1 025
– Vehicles #	825	1 352	828	3 005	2 695
	889	3 465	2 101	6 455	5 915

Comparatives restated to eliminate intergroup transactions.

39 Related party transactions

Related party transactions

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

Interest of directors in contracts

The directors have confirmed that they were not materially interested in any transaction of any significance with the company or any of its subsidiaries. Accordingly, 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 39 of the annual report. A director has shareholdings in subsidiaries and receives dividends.

Associates and joint ventures

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

	2006 Rm	Restated 2005 Rm
Revenue derived from associates and joint ventures is as follows:		
Sales of goods	185	209
Rendering of services	143	86
Gross premiums received	165	64
	493	359
Purchase of goods and services from associates and joint ventures	1 067	764

Key management personnel

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

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

Often these transactions are minor and are difficult to monitor. Key management have to report any transactions with the group in excess of R100 000. The total value of goods and services supplied to or from key management on an arms length basis amounted to R14 million (2005: R11 million).

In addition the group purchased supplies of or from R23 million (2005: nil) on an arms length basis from an entity that was 100% owned by a director of one of the group's newly acquired subsidiaries. Subsequent to the financial year-end the group purchased a controlling interest in this entity.

The group also receives legal services from a firm of attorneys in which a director of the company has an interest amounting to R5 million (2005: R3 million).

Key management personnel remuneration comprises:

	2006 Rm	Restated 2005 Rm
Non-executive directors' fees	3	2
Short-term employee benefits	351	297
Long-term employee benefits	26	23
Termination benefits	1	1
	381	323
Number of key management personnel	388	369
The gains on share options amounted to R37 million (2005: R11 million)		

Notes to the group annual financial statements

40 Financial instruments

Exposure to currency, interest rate, credit risk and liquidity risk arises 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.

The group has entered into certain forward exchange contracts which relate to specific balance sheet items at 25 June and specific foreign commitments not yet due. The details of these contracts are as follows:

Foreign currency	Foreign amount (million)	Average exchange rate	Contract value Rm	Fair value 2006 Rm	Fair value 2005 Rm
Imports					
US Dollar	228	6.41	1 460	1 724	1 324
Euro	195	7.80	1 523	1 899	1 308
Pound Sterling	12	12.61	158	170	61
Japanese Yen	8 045	17.47	461	532	364
Other					2
			3 602	4 325	3 059

	2006 Rm	Restated 2005 Rm
Uncovered foreign currency exposure	15	135

Interest rate risk

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

The group is exposed to interest rate risk as it borrows and places funds at both fixed and floating rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings.

The group's financial services division, having access to local money markets, provides the subsidiaries with the benefits of bulk financing and depositing. The interest rate profile of total borrowings is reflected in note 22.

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

The group's remaining periods and notional principal amounts of the outstanding interest rate derivative contracts are:

	2006 Rm	2005 Rm
Less than one year		440
One to five years	2 000	
More than five years	1 112	
	3 112	440

40 Financial instruments (continued)

Credit risk

Cre

procedures. Where appropriate, the group obtains appropriate collateral to mitigate risk. Counterparty credit limits are in place and are reviewed and approved by the respective subsidiary boards.

Trade accounts receivable

Trade accounts receivable consist mainly of a large widespread customer base. Group companies monitor the financial position of their customers on an ongoing basis. Where considered appropriate, use is made of credit guarantee insurance. The granting of credit is controlled by the application of account limits.

Provision for doubtful debts

Provision is made for both specific and general bad debts on trade accounts receivable. Management do not consider that there is any material credit risk exposure not already covered by credit guarantee or a bad debt provision.

Cash and cash equivalents

It is group policy to deposit short-term cash with reputable financial institutions.

Liquidity risk

This is the risk of not being able to generate sufficient cash to meet commitments to borrowers, depositors and other creditors at any point in time.

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Unutilised borrowings are reflected in note 22.

Maturity profile of financial instruments	More than five years Rm	One to five years Rm	Less than one year Rm	Total 2006 Rm
Financial assets				
Other investments and loans	207	442	1 559	2 208
Other non-current financial assets	267	451		718
Trade and other receivables			8 248	8 248
Cash and cash equivalents			1 630	1 630
Financial liabilities				
Interest-bearing liabilities	5 050	1 733	3 916	10 699
Insurance policy holders' liabilities	207	534	590	1 331
Other non-current financial liabilities		127		127
Trade and other payables, provisions for liabilities and other charges	114	106	11 325	11 545

Fair value of financial instruments (Rm)	Carrying value	Fair value
Financial assets		
Other investments and loans	2 208	2 208
Other non-current financial assets	718	718
Trade and other receivables	8 248	8 248
Cash and cash equivalents	1 630	1 630
Financial liabilities		
Interest-bearing liabilities	10 699	10 711
Insurance policy holders' liabilities	1 331	1 331
Other non-current financial liabilities	127	127
Trade and other payables, provisions for liabilities and other charges	11 545	11 545

Company balance sheet

at 25 June	Notes	2006 Rm	2005 Rm
ASSETS			
Interests in subsidiaries	2	8 116	6 109
Investments in associates and joint ventures	3	665	666
Investments	4	37	
Non-current financial asset	5	540	
Trade and other receivables		3	
Total assets		9 361	6 775
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	6	1 762	1 929
Other reserves	7	363	3
Retained earnings		7 028	4 698
Total shareholders' equity		9 153	6 630
Liabilities			
Deferred tax liability	8	117	111
Trade and other payables		64	34
Current tax liability		27	
Total liabilities		208	145
Total equity and liabilities		9 361	6 775

Company income statement

for the year ended 25 June	Notes	2006 Rm	2005 Rm
Revenue	9	2 225	1 498
Net other operating income	10		230
Fair value adjustment on call option		179	
Profit before exceptional items		2 404	1 728
Exceptional items	11	(40)	(13)
Profit before taxation		2 364	1 715
Income tax expense	12	34	29
Net attributable profit for the year		2 330	1 686

Company statement of changes in equity

for the year ended 25 June	Share capital Rm	Share premium Rm	Other reserves Rm	Retained earnings Rm	Total Rm
Balance at 26 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
Cancellation of 14 532 422 treasury shares	(1)			(1 407)	(1 408)
Capital distribution of 175 cents per ordinary share in October 2004		(383)			(383)
Capital distribution of 175 cents per ordinary share in March 2005		(384)			(384)
Balance at 25 June 2005	9	1 920	3	4 698	6 630
Net attributable profit for the year				2 330	2 330
Foreign currency translation reserve movement			(1)		(1)
Initial fair value adjustment on call option			361		361
Issue of 761 500 ordinary shares		39			39
Issue of 14 516 617 preferred ordinary shares	1	805			806
Capital distribution of 220 cents per ordinary share in September 2005		(456)			(456)
Capital distribution of 230 cents per ordinary share in March 2006		(478)			(478)
Capital distribution of 267,5 cents per preferred ordinary share in September 2005		(39)			(39)
Capital distribution of 267,5 cents per preferred ordinary share in March 2006		(39)			(39)
Balance at 25 June 2006	10	1 752	363	7 028	9 153

Company cash flow statement

for the year ended 25 June	Note	2006 Rm	2005 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated by operations	15	2 251	1 771
Income tax paid		1	1
		2 250	1 770
CASH FLOWS FROM INVESTING ACTIVITIES			
Additional investments in and loans to subsidiary and associated companies, net of disposals		(2 046)	574
Additions to investments		(37)	
Purchase of equities and loans advanced			(229)
		(2 083)	345
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		845	60
Net purchase of treasury stock			(1 408)
Capital distributions		(1 012)	(767)
		(167)	(2 115)
Net change in cash and cash equivalents		–	–
Cash and cash equivalents at beginning of year		–	–
Cash and cash equivalents at end of year		–	–

Notes to the company annual financial statements

for the year ended 25 June	2006 Rm	2005 Rm
1 Accounting policies, significant judgements and estimates and impact of new unissued standards		
Refer to notes 1, 3 and 4 of the group annual financial statements		
2 Interests in subsidiaries		
Shares at cost or valuation	6 437	4 965
Indebtedness by subsidiaries	1 679	1 144
	8 116	6 109
Details of the company's subsidiaries are reflected in annexure A.		
3 Investments in associates and joint ventures		
Unlisted shares at cost	36	36
Impairments	(12)	(12)
	24	24
Indebtedness by associates and joint ventures	641	642
	665	666
Valuation of shares		
Unlisted shares at director's valuation	24	24
Details of the group's associates and joint ventures are reflected in annexure B. The directors' valuation has been established by reference to the group's share of the net assets of the associates and joint ventures.		
4 Investments		
Unlisted shares at fair value	37	
5 Non-current financial asset		
Call option asset		
Initial fair value of call option	361	
Fair value adjustment	179	
	540	
In terms of the black empowerment transaction concluded with Lereko Mobility in June 2005, Lereko Mobility acquired 14 516 617 preferred ordinary shares in Imperial. Imperial facilitated the transaction with vendor finance by issuing preferred ordinary shares at their par value of 4 cents. This discount had a value of R600 million. This will entitle Imperial to a call option from the company for a sufficient number of Imperial's shares to be delivered on 15 June 2015 to settle this amount plus a return which will amount to a minimum of R1 495 million and a maximum of R2 291 million. The call option asset has been valued using the Black Scholes model.		
6 Share capital and premium		
Authorised share capital		
434 990 000 (2005: 434 990 000) ordinary shares of 4 cents each	17	17
50 000 000 (2005: 50 000 000) deferred ordinary shares of 4 cents each	2	2
15 000 000 (2005: 15 000 000) preferred ordinary shares of 4 cents each	1	1
1 000 (2005: 1 000) redeemable preference shares of 4 cents each		
	20	20
Issued share capital		
207 896 450 (2005: 205 394 949) ordinary shares of 4 cents each	8	8
21 015 388 (2005: 22 755 389) deferred ordinary shares of 4 cents each	1	1
14 516 617 (2005: nil) preferred ordinary shares of 4 cents each	1	
	10	9
Share premium	1 752	1 920
	1 762	1 929
Refer to note 17 of the notes to the group annual financial statements for further details regarding the deferred ordinary shares, the preferred ordinary shares, the share schemes and directors' interest in share capital.		
7 Other reserves		
Initial fair value adjustment on call option	361	
Foreign currency translation reserve movement	(1)	
Realised surplus on sale of investments	2	2
Unrealised surplus on revaluation of shares in subsidiaries	1	1
	363	3
8 Deferred tax liability		
Movement in deferred tax		
Balance at beginning of year	111	82
Tax rate adjustment		(3)
Capital gains	6	32
Balance at end of year	117	111
Analysis of deferred tax		
– Capital gains	117	111

	2006 Rm	2005 Rm
9 Revenue		
Revenue consists of:		
Dividends from subsidiaries	2 222	1 498
Preference dividends received	3	
	2 225	1 498
10 Net other operating income		
Other operating income		232
Other operating costs		(2)
		230
11 Exceptional items		
Write-down of investment in subsidiary	(40)	
Impairment of associate		(12)
Other impairments		(1)
	(40)	(13)
12 Income tax expense		
Income tax charge		
South African normal taxation		
Deferred		
– Tax rate adjustment		(3)
– Capital gains		32
– Prior year underprovision	6	
Withholding and secondary tax on companies	28	
	34	29
Reconciliation of tax rates:	%	%
Profit before taxation, excluding exceptional items		
– Effective rate	1.5	1.7
Income tax effect:		
– Withholding and secondary tax on companies	(1.2)	
– Write-down of investment in subsidiary	(0.5)	
– Disallowable charges		(0.1)
– Exempt income	27.2	29.1
– Fair value adjustment on call option	2.2	
– Capital gains		(1.9)
– Tax rate adjustment		0.2
– Prior year underprovision	(0.2)	
	29.0	29.0
13 Dividends and other distributions		
Refer to note 33 of the group annual financial statements.		
14 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 is:	2 024	2 057
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 received an assessment from South African Revenue Services relating to an off-shore company. The total amount of the claim is R382 million which includes penalties and interest. The company does not believe that the assessment is valid and will be defending this claim.	382	
The company has guaranteed the obligations to investors in the commercial paper and corporate bond issues.	8 318	4 923
15 Cash generated by operations		
Profit before exceptional items	2 404	1 728
Foreign currency translation reserve movement	(1)	
Non-cash flow movements		
Fair value adjustment on call option	(179)	
Working capital movements		
– (Increase) decrease in accounts receivable	(3)	9
– Increase in accounts payable	30	34
	2 251	1 771

Annexure A – Interest in principal subsidiaries

Company	Nature of business	Place of incorporation	Interest owned directly or indirectly (%)	Ordinary shares in issue	Book value of interest: Shares at cost 2006 Rm	Shares at cost 2005 Rm	Indebtedness 2006 Rm	Indebtedness 2005 Rm
Imperial Mobility International BV	See note 2	Netherlands	100	150 188	2 275			
Imperial Group (Pty) Limited	See note 3	South Africa	100	165	1 779	1 779	572	603
Associated Motor Holdings (Pty) Limited	See note 4	South Africa	90	500 000	46	46		
Imperial Financial Holdings Limited	Banking	South Africa	100	255 000 000	251	251		38
Regent Insurance Company Limited	Insurance	South Africa	100	2 099 000	206	206		
Regent Life Assurance Company Limited	Life insurance	South Africa	100	2 125 000	145	145		
Tourism Investment Corporation Limited	Tourism	South Africa	67	830 350 304	424	424		
Mutual Construction Company (Transvaal) (Pty) Limited	See note 5	South Africa	50.1	1 000	48			
MCC Contracts (Pty) Limited	See note 5	South Africa	50.1	1 000	97			
Imperial Capital Limited	See note 6	South Africa	100	100				
Imperilog Limited	See note 7	South Africa		51 015 305	160	160		
Other, including indirect interest					1 006	1 954	1 107	503
					6 437	4 965	1 679	1 144

1 General information in respect of subsidiaries as required in terms of paragraph 69 and 70 of the Fourth Schedule to the Companies Act is set out in respect of only those subsidiaries, the financial position of which is material for a proper appreciation of the affairs of the group. A full list of subsidiaries and associated companies is available on request at the company's registered offices.

2 Business conducted by Imperial Mobility International BV comprises aviation sales and leasing, integrated logistics solutions, vehicle and forklift leasing and motor trading.

3 Business conducted by Imperial Group (Pty) Limited comprises vehicle rental, motor trading, tourism, full maintenance leasing, automotive components, property investments, transportation, manufacture of motor components, panelbeating and group services.

4 Business conducted by Associated Motor Holdings (Pty) Limited comprises motor vehicle importation, dealership sales and after-sales services.

5 The MCC Group is a supplier to major mining houses and companies, with expertise in mass earthmoving, plant hire and maintenance, either on-site or in our fully equipped workshops.

6 Imperial Capital Limited owns and finances assets to group companies.

7 Business conducted by Imperilog Limited comprises transport logistics.

Annexure A – Interest in principal subsidiaries (continued)

Held by subsidiaries of Imperial Holdings Limited

Company	Nature of business	Place of incorporation	Interest owned directly or indirectly (%)	Ordinary shares in issue	Book value of interest: Shares at cost 2006 Rm	Shares at cost 2005 Rm	Indebtedness 2006 Rm	Indebtedness 2005 Rm
Subsidiaries of Imperial Mobility International BV								
Imperial Commercials Limited	See note 1	United Kingdom	100	560 000	10		154	
Imperial Multipart Limited	See note 2	United Kingdom	100	12 913 000	422		41	
Imperial Logistics International GmbH	See note 3	Germany	100	2	1 425			
Air Contractors Limited	See note 4	Ireland	100	3	96			
Associated Motors Australia (Pty) Limited	See note 5	Australia	90	81	197		167	
Subsidiaries of Associated Motor Holdings								
Hyundai Auto South Africa (Pty) Limited	See note 6	South Africa	100	1 000	100	100		38
Imperial Car Imports (Pty) Limited	See note 6	South Africa	100	10 000	6	6		
Imperial Daihatsu (Pty) Limited	See note 6	South Africa	99.9	10 000 000	11	11	54	3
Kia Motors SA (Pty) Limited	See note 6	South Africa	100	25 000			105	127
KMSA Holdings (Pty) Limited	See note 7	South Africa	75	10 000	4	4	6	4

1 Engaged in commercial vehicle sales and after-sales services.
2 Engaged in auto parts warehousing and distribution.
3 Engaged in transport and logistics.
4 Engaged in leasing of aircraft.
5 Engaged in dealership sales and after-sales services.
6 Importer and retailer of motor vehicles, parts and accessories.
7 Importer and retailer of motor cycles, parts and accessories.

Material acquisitions

The material acquisitions by the group in the current financial year are as follows:

	Nature of business	Purchase consideration (note 1) Rm	Fair value of net assets acquired Rm	Goodwill Rm	Acquisition date Rm	Percentage shareholding	Contribution to revenue since acquisition Rm	Contribution to profit before tax since acquisition Rm
Lex Commercials Limited	See note 2	154	131	23	31 Mar 06	100%	523	(2)
Lex Multipart Limited	See note 2	422	381	41	31 Mar 06	100%	228	(10)
MCC Contracts (Pty) Limited	See note 3	97	78	19	26 Nov 05	50.1%	406	31
Mutual Construction Company (Transvaal) (Pty) Limited	See note 3	48	39	9	26 Nov 05	50.1%	80	10
TFD Network Africa (Pty) Limited	See note 4		(20)	20	26 Nov 05	100%	9	

1 The purchase consideration includes shares acquired, properties and intergroup loan balances that formed part of the purchase consideration.
2 The Lex group includes Lex Commercials, a dealer in trucks and LDV vans, Lex Auto Logistics engaged in auto parts warehousing and distribution, Lex Fleetserve, a niche logistics service provider and Lex Multipart Defence, a provider of outsourcing and warehousing services.
3 The MCC Group is a supplier of mass earthmoving services, plant hire and maintenance services, either on-site or in our fully equipped workshops.
4 Business conducted by TFD Network Africa Pty Limited comprises warehousing and distribution in the fast moving consumer goods market.

Annexure B – Interest in principal associated companies and joint ventures

Group	Nature of business	Place of incorporation	Carrying value 2006 Rm	Carrying value Restated 2005 Rm	% owned 2006 %	% owned 2005 %
Imperial Bank Limited	Financial service provider	Republic of South Africa	864	804	49.9	49.9
Safair Lease Finance (Pty) Limited	Aircraft leasing	Republic of South Africa	327	297	50.0	50.0
Renault South Africa (Pty) Limited	Vehicle distributor	Republic of South Africa	151	143	49.0	49.0
ACL Aviation Limited	Aircraft leasing	Republic of Ireland	28	22	50.0	50.0
Ukhamba Holdings (Pty) Limited	Investment company	Republic of South Africa	56	31	46.9	46.9
Accordian Investments (Pty) Limited	Vehicle distributor	Republic of South Africa	66	29	40.0	40.0
Other			110	89		
			1 602	1 415		

Annexure C – Additional information on insurance businesses

1 Accounting policies

Revenue recognition

The long-term insurance operations reflect premium income relating to insurance business gross of reinsurance and are accounted for when they become due. Premiums on investment contracts are excluded from the income statement.

The short-term operations premiums written are raised on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period and are disclosed gross of commission payable to intermediaries. Premiums are earned from the date the risk attaches, over the indemnity period, based on the pattern of the risk underwritten.

The reinsurance operations insurance premiums written comprise the premiums on contracts entered into during the year, irrespective of whether they relate in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries. Premiums written include adjustments to premiums written in prior accounting periods and estimates for future premiums. Premiums are earned from the date of attachment of risk over the indemnity period, based on the pattern of risk underwritten.

Insurance results

The long-term insurance operating profits are determined in accordance with the Financial Soundness Valuation and International Financial Reporting Standards. The underlying philosophy of the Financial Soundness Valuation is to recognise profits prudently over the term of each insurance contract. In the valuation of liabilities, provision is made for:

- The best estimate of future experience;
- Compulsory margins prescribed in the Long-Term Insurance Act, 1998; and
- Discretionary margins determined to release profits to shareholders consistent with policy design and company policy.

The long-term insurance operations reported an insurance result of R118 million in 2006 (2005: R84 million).

The short-term and reinsurance operations' insurance results are determined after making provisions for unearned premiums, outstanding claims and such additional provisions as are considered necessary. The methods used to determine these provisions are set out below.

Unearned premiums

Unearned premiums are carried forward and are those proportions of the premiums written in the financial year that relate to the periods of risk from 26 June in the following year to the subsequent dates of expiry of the policies and are calculated on the 365th basis for premiums written by the short-term operations and facultative premiums written by the reinsurance operations. The reinsurance operations apply the eighths basis for proportional business and the twelfths basis for non-proportional business. In the event that the unearned premiums, so calculated, are insufficient to meet the estimated future aggregate claims arising from the unexpired risks and the related administration expenses of handling such claims, an additional amount is provided to cover the estimated shortfall.

Outstanding claims

Full provision is made for the costs of intimated claims, being those incurred and reported, and unintimated claims, being those incurred but not yet reported. Past claims experience is used as the basis for determining the extent of the IBNR (incurred but not reported) claims.

The short-term insurance operations reported an insurance result excluding investment return of R117 million in 2006 (2005: R99 million). The reinsurance operations reported an insurance loss excluding investment return of R7 million in 2006. (2005: nil).

Insurance contracts

Long-term insurance operations:

Insurance contracts are classified into individual credit life contracts, individual life contracts, group funeral, group life and group credit life contracts.

All policyholder contracts that transfer significant insurance risk are classified as insurance contracts. These contracts are valued in terms of the Financial Soundness Valuation (FSV) basis contained in PGN 104 issued by the Actuarial Society of South Africa and are reflected as "liabilities under insurance contracts" on the balance sheet.

The statutory actuary calculates the liabilities under long-term insurance contracts and investment contracts annually at the balance sheet date in accordance with prevailing legislation, Generally Accepted Actuarial Standards in South Africa and International Financial Reporting Standards as appropriate. The transfers to or from insurance liabilities in the income statement represent the increase or decrease in contract liabilities, including all necessary provisions and reserves.

The Financial Soundness Valuation basis requires at each balance sheet date that liability adequacy tests are performed to ensure the adequacy of the contract liabilities. The liabilities for investment contracts are set equal to the accumulated fair value of the underlying assets.

Short-term insurance operations:

Contracts issued transfer insurance risk. Contracts under which the group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable.

Contracts entered into with reinsurers by the long-term and short-term operations, under which the group is compensated for losses on one or more contracts, and which meet the classification requirements for insurance contracts, are classified as reinsurance contracts held.

The benefits to which the group is entitled under its reinsurance contracts held are recognised as reinsurance assets, consisting of short-term and long-term balances due from reinsurers that are dependent on the expected claims and benefits. Reinsurance liabilities are primarily premiums payable and are recognised as an expense when due. Reinsurance assets are assessed for impairment on an annual basis, reducing the carrying amount of the reinsurance asset to its recoverable amount through the income statement.

Reinsurance operations:

Contracts issued transfer insurance risk. The group retrocedes reinsurance risk in the normal course of business for the purpose of limiting its net loss potential. Retrocession arrangements do not relieve the group from its direct obligation to its cedants. Premiums retroceded and benefits reimbursed are presented in the income statement and balance sheet. The retrocessionaires' share of unearned premiums is calculated by relating the premiums to the unexpired risk periods. Anticipated retrocession recoveries are disclosed as assets. Retrocession and other recoveries are assessed in a manner similar to the assessment of claims outstanding. Outward retrocession premiums are recognised as an expense over the indemnity period. Amounts recoverable under retrocession agreements are assessed for impairment at each balance sheet date.

Annexure C – Additional information on insurance businesses (continued)

	2006 Rm	Restated 2005 Rm
2 Revenue (note 27 to the group annual financial statements)		
Premium income		
Long-term operations		
Individual premium income		
Singe premiums	600	281
Reinsurance	(107)	(75)
	493	206
Recurring premiums	201	135
Reinsurance	(5)	(6)
	196	129
Group scheme premium income		
Recurring premiums	59	69
Reinsurance	(8)	(17)
	51	52
Net premium income from long-term operations	740	387
Short-term and reinsurance operations		
Gross premiums written	1 582	1 224
Outward reinsurance premiums/retrocession premiums	(291)	(418)
Net premium income from short-term and reinsurance operations	1 291	806
Total net premium income	2 031	1 193
Total gross premium income	2 442	1 709
3 Other investments and loans (note 12 to the group annual financial statements)		
3.1 Financial assets held at fair value – insurance contracts and shareholders funds		
Balance at beginning of the year	1 192	742
Additions	927	685
Disposals	(788)	(416)
Fair value adjustment	278	181
Balance at the end of the year	1 609	1 192
3.2 Reconciliation to group annual financial statements		
Financial assets at fair value – insurance contracts and shareholders' funds	1 609	1 192
Financial assets at fair value – other operations	21	4
Financial assets at fair value – investment contracts	20	16
	1 650	1 212

	2006 Rm	Restated 2005 Rm
4 Insurance assets and liabilities		
4.1 Liabilities under insurance contracts		
Short-term and reinsurance operations		
Claims and loss adjustment expenses		
Balance at beginning of year	397	152
Cash paid for claims settled in the year	(742)	(553)
Increase in liabilities		
– arising from currrent year claims	887	798
– arising from prior year claims		
Balance at end of year	542	397
Notified claims	422	311
Incurred but not reported	120	86
Balance at end of year	542	397
Unearned premium provision		
Balance at beginning of year	372	130
Premiums written during the year	1 582	1 224
Premiums earned during the year	(1 404)	(982)
Balance at end of year	550	372
Long-term operations		
Balance at beginning of the year	590	553
Transfer from income statement	167	147
Disposal of subsidiary		(105)
Arising from translation of foreign liabilities	4	(5)
Balance at end of the year	761	590

The assumptions used in determining the policyholder liabilities under long-term insurance contracts are as follows:

Individual credit life business

a) Mortality: 80% of SA85/90 ULT plus 2.69% HA1 AIDS.
b) Morbidity experience was assumed to follow a proportion of the latest available standard table.
c) Persistency: Lapses – Monthly 50% p.a. and Single 13.75% p.a.
d) Investment returns: 7.3% (net of capital gains tax).
e) Renewal expenses and inflation: R96.5 per policy p.a.; expense inflation – 5.5% p.a.
f) Taxation: Ignored as "excess E" position exists.

With profit annuities:

a) Mortality: PA (90) less 2 plus 1.5% improvement p.a.
b) Morbidity experience was assumed to follow a proportion of the latest available standard table.
c) Investment returns: 7.75% p.a.
d) Renewal expenses and inflation: R28.41 per policyholder per month.

Linked insurance contracts

a) Mortality: 107.5% of SA85/90 Heavy plus 17.5% HA1 AIDS.
b) Persistency: Lapses – 27% / 22.5% / 27.5% / 16.5% / 11% (duration 1, 2, 3, 4 and 5 years onwards respectively).
c) Investment returns: 7.55%.
d) Renewal expenses and inflation: R211 p.a. and inflation of 5.5%.
e) Taxation: Ignored as "excess E" position exists.

Change in assumptions

a) Discount rate for all business other than annuity business was reduced from 7.55% to 7.3%.
b) Parameters used in the stochastic model for the PGN110 reserve on annuity business were changed to reflect experience to date.
c) Expense inflation for annuity business was increased from 3.6% to 5.5%.
d) The assumed rate of pension increases for the annuity business was increased from 4.5% to 5%.
e) Expenses on the annuity business were increased from R26.93 to R28.41 per policy per month. This resulted in an increase in reserves of R0.14 million.
f) The withdrawal assumptions were adjusted to reflect the recent lapse experience. The impact was a strengthening in reserves of R3.52 million.
g) During the financial year, a Statement of Intent was issued by the Life Offices Association of South Africa in conjunction with National Treasury, recommending minimum surrender values and paid-up values. The group has adopted these recommendations. As a result, actuarial liabilities increased by R13.11 million.

Lesotho Life

A net premium valuation method has been used.
a) Mortality: SA 56/62 UT increased by 25%.
b) Interest: 4% p.a. for with-profit business and 6% p.a. for non-profit business.

Annexure C – Additional information on insurance businesses (continued)

	2006 Rm	Restated 2005 Rm
4 Insurance assets and liabilities (continued)		
4.2 Financial liabilities under investment contracts - long-term operations		
Balance at beginning of the year	16	66
Deposits	12	2
Payments	(3)	
Disposal of subsidiary		(53)
Fair value adjustment to policyholder liabilities under investment contracts	(5)	1
Balance at end of the year	20	16
4.3 Reinsurers' share of liabilities under insurance contracts		
Balance at beginning of the year	412	396
Movement in reinsurer's share of insurance liabilities	39	16
Balance at the end of the year	451	412
4.4 Reconciliation to group annual financial statements		
Liabilities under insurance contracts (note 23 to the group annual financial statements)		
Short and reinsurance operations – unearned premium provisions (See 4.1)	550	372
Long-term operations: Liabilities under insurance contracts (See 4.1)	761	590
Long-term operations: Liabilities under investment contracts (See 4.1)	20	16
	1 331	978
Insurance claims provisions (note 25 to the group annual financial statements)		
Short and reinsurance operations – IBNR (See 4.1)	120	86
Long-term and other operations – outstanding claims provisions	50	30
	170	116

5 Management of insurance-specific risks

A) Insurance risk

Long-term operations:

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in policyholder behavior.

The group uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the group over the last three years is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future.

The group maintains termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at the best estimate of future termination rates.

Short-term operations

The group underwrites risks that natural persons or other entities wish to transfer to an insurer. Such risks include the perils around fire, motor, accident, engineering, marine and aviation that may give rise to an insurable event.

As such the group is exposed to uncertainty surrounding the timing and severity of claims under insurance contracts. The principal risk is that the frequency and/or severity of claims is greater than expected. Insurance events are, by their nature, random and the actual number and size of events during any one year may vary from those estimated and experienced in prior periods.

The group underwrites primarily short-tail risks i.e. insurance under which claims are typically settled within one year of the occurrence of the events giving rise to the claims. Consequently, whilst the group may experience variations in its claims patterns from one year to the next, the group's exposure at any time to insurance contracts issued more than one year before is limited.

Reinsurance operations

Estimation of future premium income is done on a per treaty level as well as on a per risk level for facultative risks. In estimating future premiums, the cedants' expected premium income as well as market knowledge is taken into account. The basis of calculating the claims expenditure for claims already incurred and for future claims from current reinsurance contracts involves uncertainties. This estimation is based on historical experience and assumptions of future expected changes. The degree of estimation risk varies according to the class of business.

B) Capital adequacy and solvency

Long-term operations:

The capital adequacy requirement is determined according to generally accepted actuarial principles in terms of the guidelines issued by the Actuarial Society of South Africa. It is an estimate of the minimum capital that will be required to meet fairly substantial deviations from the main assumptions affecting the group's business. At 25 June 2006 the capital adequacy requirement is R117 million and the ratio of excess assets to capital adequacy requirements is 3.03 (2005: R95 million, capital adequacy ratio 3.93).

Short-term and reinsurance operations:

The contingency reserve represents the full amount required in terms of the Short-Term Insurance Act, 1998. The solvency margin represents shareholders' equity as a percentage of premiums and was 37% (2005: 57.9%) and 107.6% (2005: 0%) at 25 June 2006 for the short-term and reinsurance operations respectively.

C) Underwriting risk

Long-term operations:

The Statutory Actuary reports annually on the actuarial soundness of the premium rates in use and the profitability of the business taking into consideration the reasonable benefit expectation of policyholders. All new rate tables are approved and authorised by the Statutory Actuary prior to being issued. Annual investigations into mortality and morbidity experience are conducted. All applications for risk cover in excess of specified limits are reviewed by experienced underwriters and evaluated against established standards. All risk-related liabilities in excess of specified monetary or impairment limits are reinsured.

Short-term and reinsurance operations:

The group limits its exposure to insurance risk through setting a clearly defined underwriting strategy and limits, adopting appropriate risk assessment techniques and the reinsurance/retrocession of risks that exceed its risk appetite.

D) Regulatory risks

Continuous legislation changes in the long-term, short-term and reinsurance environment may impact severely on the operational and financial structures within these businesses. The group has sufficient resources to address the impact of legislation timeously and efficiently.

During the development stage of any new product, rights and obligations of all parties are clearly defined in the contracts and documentation.

E) Financial risk

The group is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, equity price risk, currency risk and credit risk. An investment committee sets policies and receives monthly and quarterly reports on compliance with investment policies.

The long-term insurance operations manage these positions within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the ALM framework is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to policyholders.

F) Concentration risk

Reinsurance operations:

The group has exposure to natural hazards and accumulation of risks exposed to these perils is monitored constantly. Retrocession protection is purchased to protect the group from this exposure. The retrocession programme also protects the group against per risk exposures and is structured to assist in mitigating the risk of individual large losses.

G) Credit risk

Fair values of financial assets may be affected by the creditworthiness of the issuer. Limits of exposure are set by the investment committee and are continuously monitored. Sales of products and services are made to customers with an appropriate credit history. The concentrations of credit risk are throughout South Africa, with the most significant portion in the Gauteng area. The group has policies in place that limit the credit exposure to any institution and reputable reinsurers/retrocessionaires are used for the group's reinsurance treaties.

H) Currency risk

The group has collective investment schemes invested offshore which are denominated in foreign currencies. The currency risk is not hedged as the investments are mainly made on behalf of shareholders for the purpose of obtaining a desirable international exposure in foreign currencies.

I) Significant accounting judgements and estimates

Insurance liabilities in respect of long-term insurance contracts and investment contracts:
Valuation assumptions represent a best estimate. Prescribed margins are applied as required by the Long-Term Insurance Act and discretionary margins may be applied as required by the valuation methodology or if the statutory actuary considers such margins necessary to cover the risks inherent in the contracts. The valuation of investment contracts is linked to the fair value of the supporting assets.

The estimation of the liability arising from claims under short-term insurance contracts is impacted on by several sources of uncertainty. The environment can change unexpectedly and the group is therefore constantly refining its short-term insurance risk management tools in order to assess risk appropriately.

Annexure D – Analysis of the group's balance sheet and debt excluding Imperial Capital Limited

	Imperial Holdings Limited Rm 2006	Imperial Capital Limited Rm 2006	Group excluding Imperial Capital Limited Rm 2006
BALANCE SHEET			
ASSETS			
Intangible assets	945		945
Investments in associates and joint ventures	1 602		1 602
Property, plant and equipment	4 231		4 231
Transport fleet	2 570	610	1 960
Leasing assets	6 443	773	5 670
Vehicles for hire	896	763	133
Deferred tax assets	426		426
Other investments and loans	2 208		2 208
Other non-current financial assets	718		718
Inventories	7 535		7 535
Taxation in advance	108	11	97
Trade and other receivables	8 248	10	8 238
Cash resources	1 630	3	1 627
Total assets	37 560	2 170	35 390
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	1 762		1 762
Shares repurchased and consolidated shares	(2 497)		(2 497)
Other reserves	1 272		1 272
Retained earnings	9 465	194	9 271
Attributable to Imperial Holdings' shareholders	10 002	194	9 808
Minority interest	785		785
Total shareholders' equity	10 787	194	10 593
Subordinated interest-bearing debt due to group company		450	(450)
Revised equity	10 787	644	10 143
Liabilities			
Equity-settled interest-bearing borrowings	794		794
Retirement benefit obligations	218		218
Interest-bearing borrowings	6 783	1 002	5 781
Liabilities under insurance contracts	1 331		1 331
Deferred tax liabilities	941	98	843
Other non-current financial liabilities	127		127
Due to group companies		21	(21)
Provisions for liabilities and other charges	925		925
Trade and other payables	10 620	34	10 586
Current tax liabilities	1 118		1 118
Current portion of interest-bearing borrowings	3 916	371	3 545
Total liabilities	26 773	1 526	25 247
Total equity and liabilities	37 560	2 170	35 390
Total debt	11 493	1 373	10 120
Less: cash	1 630	3	1 627
Net debt	9 863	1 370	8 493
Revised equity	10 787	644	10 143
Net debt to equity	91%	213%	84%
Net debt to equity (equity-settled debt treated as equity)	78%	213%	70%

The amounts reflected as transport fleet, leasing assets and vehicles for hire by Imperial Capital Limited are shown as a finance lease receivable in their published annual financial statements.

Annexure E – Summary of Employment Equity Report 2006
Analysis of South African workforce only

Description	2006	2005
Total workforce	32 978	27 640
Total employees with disabilities	61	36
Workforce profile		
Racial and gender profile		
Non-designated group	7 435	6 362
White females	4 739	4 239
Black males	16 928	14 006
Black females	3 876	3 033
	32 978	27 640
Occupation level profile		
Management	4 171	3 677
Non-management	28 807	23 963
	32 978	27 640
Management profile by gender		
Males	3 016	2 666
Females	1 155	1 011
	4 171	3 677
Non-management profile by gender		
Males	21 347	17 702
Females	7 460	6 261
	28 807	23 963
Management profile by race		
Whites	3 260	2 892
Designated groups	911	785
	4 171	3 677
Non-management profile by race		
Africans	14 828	12 052
Indians	1 636	1 408
Coloureds	3 429	2 794
Whites	8 914	7 709
	28 807	23 963
Workforce movement		
Total employees brought forward	27 640	25 386
Resignations	(988)	(907)
Dismissals	(136)	(160)
Retirements	(117)	(149)
Retrenchments	(574)	(843)
Engagements/acquisitions	7 153	4 313
Total employees at end of year	32 978	27 640
Summary of global workforce		
South African	32 978	27 640
Non-South African	6 434	5 056
Total workforce	39 412	32 696

Notice of Annual General Meeting

The 18th Annual General Meeting of shareholders will be held on Wednesday, 1 November 2006 at 09:00 in the boardroom of Imperial Holdings Limited, Imperial Place, Jeppe Quondam, 79 Boeing Road East, Bedfordview.

The notice of the Annual General Meeting and proxy form, including details of the business and resolutions to be considered at the meeting, will be mailed to shareholders as a separate document.