

# UKHAMB HOLDINGS

## acquires stake in Imperial

*innovative deal struck*



Ukhamba Holdings (Pty) Limited and Imperial Holdings Limited are pleased to announce that shareholders in Imperial have approved the acquisition by Ukhamba of a 10,1% interest in Imperial

### THE SCHEME

The share acquisition is by way of the issue to Ukhamba of 22,756 million deferred ordinary shares in Imperial, which amounts to 10,1% of the increased share capital of Imperial. These deferred shares will be converted into ordinary shares at a rate related to the growth in headline earnings of Imperial in excess of 13%. Based on current trends it is expected that the deferred shares will be converted into ordinary shares in approximately seven years from 2004, with the proviso that no more than 2,5% of Imperial's share capital is converted in any one year. Should earnings growth during this period fall below 13%, but exceed 10%, then a minimum of 1 000 000 (one million) deferred shares will be converted into ordinary shares each year.

Should all the deferred shares not be converted during this period then, from the 2012 financial year, the shares will be converted at a minimum rate of between 500 000 and 1 250 000 shares per annum until the full 22,756 million shares have been converted into ordinary shares.

The deferred shares carry the same benefits of capital appreciation and voting power as ordinary shares, but only become entitled to participate in dividends once they have been converted. Ukhamba is also entitled to appoint two representatives to Imperial's board of directors.

The total cost to Ukhamba at 4 cents per Imperial share, amounts to approximately R910 240. At the current share price of approximately R70 per share, the current value for Ukhamba is R1,6 billion.

### UKHAMB

Ukhamba was founded by Imperial as an enterprise development business partnership in 1998 to generate wealth and facilitate skills transfer for Imperial's historically disadvantaged employees. Initial seed capital of R15 million was provided by Imperial and employees have themselves invested a further R7,6 million through the Ukhamba Trust.

Ukhamba is invested in a number of companies originally allied to or servicing the Imperial group and now doing business with an expanding client base. Since its formation, Ukhamba has grown to generate a turnover of R67 million in 2003, with a profit after tax of R7,4 million and R55 million in assets. It has also created over 1 000 jobs. To date approximately 2 200 employees have participated in this wealth creation via the Ukhamba Trust.

### UKHAMB

Ukhamba is invested in a number of companies and joint ventures. These are:

- Ikaheng Human Resources, which provides drivers and driver training to Imperial and a number of non-Imperial clients in the packaging and consumer goods industries. Ikaheng acts as a short-term labour broker, providing temporary staff, management and general staff recruitment solutions. The company provides specialised training in a number of areas including adult basic education training (ABET) to group staff.

Ikaheng has training facilities, equipment and training personnel in Gauteng, Cape Town and Durban. Ikaheng owns its head office, "Ikaheng House", situated in Spartan. Ikaheng's training vehicles include ultra heavy truck tractors with interlink trailers and 8-ton rigid vehicles. Ikaheng has been accredited as a driver training provider by the Transport Education and Training Authority, for the National Certificate in Professional Driving, a national qualification for drivers.

From humble beginnings, where it once employed six people, Ikaheng has grown into a formidable business, managed and run by competent black staff at all levels of the organisation. Staff have developed their skills within Ikaheng and have benefited from skills transfer and upliftment. Ikaheng currently employs 60 full-time staff and to date has placed 347 permanent and 700 short-term contract employees through its labour brokering division. Ikaheng produced turnover of R37 million for the past financial year (2002: R29 million).

- RTG Fleet Services, a joint venture with Imperial and Kagiso Trust, provides fleet outsourcing to the National Department of Transport, Water Affairs, Labour, Health, National Prosecuting Authority and Public Works.
- Khaya Car Hire, focusing on government and parastatal rentals countrywide. Khaya operates from three branches in Johannesburg, Megawatt Park and Pretoria and three kiosks at Johannesburg, Cape Town and Durban international airports.
- Amasondo is a leasing company that tenders mostly on government and local authorities contracts to provide cost effective fleet solutions.
- Ukhamba Fleet Services was established to provide leased vehicles on a full maintenance lease basis. Initially targeting Imperial companies, it is the intention to provide this service throughout South Africa in the near future.

- Rainbow Sanitation rents out and maintains mobile toilet facilities for companies and municipalities.
- Ukhamba Industrial Equipment provides Toyota Forklift equipment and spares to customers, particularly the Volkswagen plant in Port Elizabeth.
- Jabulani Truck Hire rents out vehicles to the market in general and provides countrywide technical assistance.
- Executive Carports, a company offering parking and valet service at Johannesburg International Airport.
- Fuelogic is a company involved in providing transportation services for the fuel industry.
- Cell C franchises are owned at Johannesburg and Cape Town international airports and at the Cape Town convention centre. This is a fledgling development.
- Ukhamba also has an interest in a Citroën network, importing and distributing vehicles in South Africa.
- With effect from 5 March 2004, Ukhamba will own a 10,1% stake in Imperial Holdings. Imperial Holdings is an integrated transportation and mobility group with a market value in excess of R16 billion and some 28 000 employees.

### BENEFICIARIES OF THE UKHAMB

At present there are approximately 2 200 beneficiaries of the Ukhamba Trust. These are historically disadvantaged Imperial staff members who have purchased units in the Ukhamba Trust over the past five years. Following the acquisition of the Imperial shareholding, all Imperial's remaining historically disadvantaged employees will become beneficiaries of the trust, bringing the total number of beneficiaries to approximately 15 800. All beneficiaries of Ukhamba Trust will be awarded units in the trust that specifically entitle them to share in the wealth created from the Imperial acquisition.

### MANAGEMENT

The beneficiaries of the Ukhamba Trust appoint the majority of the Ukhamba board of directors. Max Sisulu is non-executive Chairman, Veli Mokoena is Chief Executive Officer and the remainder of the board comprises Simon Grootboom, Mohamed Jogee, Hafiz Mahomed, Eric Molobi and Johan van der Walt.

### THE IMPERIAL AND UKHAMB

In terms of the scheme, a separate development trust is being created. This trust is an independent entity, which will be chaired by Johnson Njeke. The purpose of the trust is to provide financial support for specific educational and disability needs in a number of severely disadvantaged communities.

### OWNERSHIP

Ukhamba is currently owned 47,1% by the Ukhamba Trust, 6% by the Development Trust and 46,9% by Imperial. While Ukhamba currently leverages off its relationship with Imperial, the long-term strategy is to position Ukhamba as a totally separate entity to Imperial, controlling its own destiny and with the majority of businesses deriving income from outside the group. To that extent, Ukhamba has the right, once all the deferred shares have been converted, to deal with its holding in Imperial as it sees fit. Naturally, with all its historically disadvantaged staff invested in Ukhamba, Imperial would want to maintain a long-term relationship with the company and will continue to assist in the growth and development of Ukhamba businesses.

### IMPERIAL AND BEE

As a leading transportation and mobility group, Imperial intends remaining at the fore front in embracing changes with regard to BEE in South Africa. Imperial's focus is on addressing historical imbalances and discrimination by improving the lives and well-being of a wide range of historically disadvantaged people. To this extent the transaction achieves these objectives by providing business opportunities for a growing number of historically disadvantaged individuals within Ukhamba as well as sharing the wealth created by Imperial with its approximately 15 800 historically disadvantaged staff and a number of historically disadvantaged communities.

### THE FUTURE

It is envisioned that Ukhamba will become a substantial industrial organisation in the years to come, creating several thousand jobs in enterprises aligned with services related to transportation, training and allied industries. With its independent management and majority BEE shareholders, Ukhamba is in control of its own destiny and aspires to be a role model for BEE enterprises in South Africa.

## Financial highlights prior to this transaction:

**Revenue: R67 million; Profit after tax: R7,4 million; 1 057 employees; Total assets: R55,1 million**