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# We are One Imperial.
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**Imperial Logistics Limited**
**audited annual financial statements**
**for the year ended 30 June 2020**

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# Directors' responsibility

for the year ended 30 June 2020

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the consolidated and separate annual financial statements and related information. The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board in issue and effective for the group at 30 June 2020 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Council and the requirements of the South African Companies Act 71 of 2008.

The group's independent external auditor, Deloitte & Touche, have audited the consolidated and separate annual financial statements and their unmodified report appears on page 4.

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

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

## Going concern statement

### Performance

As reflected in these results, most of our businesses have seen a significant impact on volumes due to lockdown restrictions. The month of April was the worst affected with South Africa trading at c.55% of volumes, African Regions c.70% and Europe c.50%. While many of our markets, mainly in Europe, have now eased lockdown restrictions and activity levels are increasing, our businesses in South Africa (mainly those with exposure to alcohol and tobacco industries) and other African markets continue to be impacted by various stages of lockdown restrictions. We therefore anticipate the impact of the Covid-19 pandemic to significantly impact our operations and performance in the short term.

For the 2021 financial year, subject to stable currencies, a steady recovery in revenue on the back of easing Covid-19 restrictions and a recovery in economies in which we operate, we expect the group's continuing operations to deliver operating profit growth compared to the prior year and free cash flow generation.

### Solvency and liquidity

As at 30 June 2020, the consolidated statement of financial position reflects total equity of R8 272 million. The total direct borrowing facilities established at the reporting date amount to R22 221 million of which the unutilised capacity was R10 620 million.

The group has externally imposed capital requirements in terms of debt covenants. The covenants, which are calculated on a basis pre-IFRS 16 – Leases, requires the group to maintain a net debt to EBITDA of 3,25 times and an EBITDA to net interest expense ratio of no less than 3,0 times.

At 30 June 2020, the group's covenant net debt to EBITDA ratio was 2,78 times and our covenant net interest cover ratio was 5,3 times.

On 31 July 2020 the group completed the sale of its European shipping business. The proceeds of R3 440 million were used to reduce net debt leading to a significant improvement of the net debt to EBITDA covenant ratio.

As the 2020 calendar year is most affected by the Covid-19 pandemic, we tested the possibility of the group not meeting debt covenants for the 12-month period ending 31 December 2020. For this purpose we subjected the second half of 2020 to the same lockdown restrictions as those described above. Under this unlikely scenario and after taking mitigating actions as needed, our forecast did not indicate a breach of debt covenants at 31 December 2020.

While we are confident of our liquidity position under the uncertain environment we find ourselves in, and to give increased financial stability, we have deferred the decision on dividend declarations and share repurchases until the interim results in February 2021.

In addition, capital expenditure for the 2021 financial year will be limited to essential and committed expenditure. The focus for the immediate future will be operating cash flows aided by strict working capital management. These measures, all within management control and not impeding the group's ability to meet client demands, will provide greater liquidity and financial flexibility.

### Structural changes

No significant structural changes to the business, due to the Covid-19 pandemic, were required. The sale of the European shipping business and the recent executive management changes are in line with the group's long-term strategic objectives and is unrelated to the pandemic.

### Conclusion

On the basis outlined above the directors consider it appropriate for the going concern basis to be adopted in preparing the annual financial statements.

The audited annual financial statements set out on pages 16 to 98 which are available on the group's website at **www.imperiallogistics.com** were approved by the board of directors on 25 August 2020 and are signed on their behalf by:

**P Langeni**
Chairman

**M Akoojee**
Chief Executive Officer

**JG de Beer**
Chief Financial Officer

# Certificate by company secretary

In my capacity as company secretary, I hereby confirm that, for the year ended 30 June 2020, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, as amended, and that all such returns are true, correct and up to date.

**Rohan Venter**
Company secretary

25 August 2020

# Preparer of the consolidated and separate annual financial statements

These consolidated and separate annual financial statements have been prepared under the supervision of WS Buckton CA(SA) and have been audited in terms of section 29(1)(e)(i)(aa) of the Companies Act.

**WS Buckton**
General Manager Group Finance

25 August 2020

# Independent auditor's report

to the shareholders of Imperial Logistics Limited

## Report on the audit of the consolidated and separate financial statements

### Opinion

We have audited the consolidated and separate financial statements of Imperial Logistics Limited (the group and company) set out on pages 16 to 98, which comprise the statements of financial position as at 30 June 2020, and the statement of profit or loss, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 30 June 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report.

We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa.

We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).* We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters relate to the consolidated financial statements. We have determined that there are no key audit matters related to the separate financial statements to communicate in our report.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of goodwill and indeterminate useful life intangible assets** | |
| As a consequence of the acquisitive nature of the group, goodwill and indeterminate useful life intangible assets of R5,5 billion (2019: R5,2 billion) have been recognised in the consolidated statement of financial position. These assets comprise 13% of the total assets of the group. Due to lost contracts in the business and subdued economic growth, impairment losses amounting to R0,2 billion (2019: R1,4 billion) were recognised against these assets. The remaining goodwill and indeterminate useful life intangible assets represent 77% (2019: 74%) of the group's total intangible assets and 13% (2019: 14%) of the group's total assets.<br><br>As required by the applicable accounting standards, the directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill and indeterminate useful life intangible assets. This is performed using discounted cash flow models. As disclosed in note 4, there are a number of key sensitive judgements made in determining the inputs into these models which include:<br>• Revenue growth (including market share, volume growth and price increases.<br>• Operating margins.<br>• Terminal growth rates.<br>• The discount rates applied to the projected future cash flows.<br><br>The directors have engaged specialists to assist with the determination of the discount rates for the significant cash-generating units (CGUs) to which the goodwill and indeterminate useful life intangible assets relate.<br><br>The valuation of these assets is considered to be a key audit matter.<br><br>Refer to accounting policy note 1.8 and note 4 of the consolidated financial statements for disclosure in this regard. | We focused our testing of the impairment of goodwill and indeterminate useful life intangible assets on the key assumptions made by the directors. Our audit procedures included:<br>• Testing the design and implementation of relevant controls around the impairment assessment.<br>• Assessing the appropriateness of the CGUs.<br>• Critically evaluating whether the model, including its mechanics and logic, used by the directors to calculate the values in use of the individual CGUs, complies with the requirements of IAS 36 – Impairment of Assets (IAS 36).<br>• Engaging our internal corporate finance specialists to assist with validating the assumptions used to calculate the discount rates and recalculating these rates.<br>• Analysing the future projected cash flows, including the revenue, operating margins and terminal growth rates used in the models to determine whether they are reasonable and supportable, given the current macroeconomic climate and expected future performance of the CGUs.<br>• Subjecting the key assumptions to sensitivity analyses to determine their impact on potential impairments.<br>• Comparing the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to test the reasonability of the directors' projections.<br><br>We found that the assumptions used by the directors were comparable with historical performance and the expected future outlook and the discount rates used were appropriate in the circumstances.<br><br>The expected future outlook is based on current evidence available. We note that the impairment loss recognised and the remaining value of the intangible assets is dependent on the achievement of the projected long-term future cash flows. There is limited headroom on some of the CGUs and incremental changes in the key assumptions may result in additional impairments in future periods.<br><br>We consider the disclosure of the impairment and remaining carrying value of these assets, included in accounting policy note 1.8 and note 4 of the consolidated financial statements to be appropriate. |

| Key audit matter | How our audit addressed the key audit matter |
| --- | --- |
| **Accounting for the implementation of IFRS 16 – Leases and the disclosure thereof in the annual financial statements** | |
| The group adopted IFRS 16 – Leases (IFRS 16) for the first time for the year ended 30 June 2020, and the right-of-use assets (R5,4 billion) constitute 13% of the total assets, and the lease liabilities (R6,1 billion) constitute 18% of the total liabilities of the group as at 30 June 2020.<br><br>In applying IFRS 16, the group followed the full retrospective approach, with restatement of the comparative information.<br><br>The group also applied certain practical expedients permitted by the standard, including not to reassess whether a contract is or contains a lease.<br><br>The lease liability was measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate (IBR). The IBR is the rate of interest that the group would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.<br><br>We have identified a key audit matter related to the judgements applied in the valuation of the leases in terms of IFRS 16 and the disclosure thereof in the consolidated financial statements as disclosed in notes 2, 7 and 19. | We focused our testing of the implementation of IFRS 16 on the key assumptions made by the directors. Our audit procedures included:<br>• Testing the design and implementation of relevant controls over the IFRS 16 calculations and disclosures.<br>• Engaging our internal specialists to assist with:<br>– Reviewing the appropriateness of the discount rate methodology applied for the purpose of discounting lease payments as per IFRS 16.<br>– Reviewing the appropriateness of the reference rate(s) (including any risk premiums in the event of foreign currency rates) applied per jurisdiction for each applicable lease term.<br>– Reviewing the appropriateness of the credit spread or financing spread adjustment applied.<br>– Testing the acceptability of the incremental borrowing rate estimates by calculating an incremental borrowing rate using a process consistent with generally accepted valuation practices.<br>– Assessing the appropriateness of the lease terms used in the right-of-use asset and lease liability calculation.<br>– Recomputing, on a sample basis, the right-of-use value assets and lease liabilities at implementation and reporting date.<br>– Assessing the related disclosure relating to IFRS 16 in the consolidated financial statements.<br><br>Based on the procedures performed and information available, we identified misstatements that were corrected by management and found the right-of-use asset and lease liability and the disclosures thereof to be appropriate.<br><br>We found the presentation and disclosures in respect of the right-of-use asset and lease liabilities to be consistent with the requirements of IFRS 16. |

## Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Imperial Logistics Limited Audited Annual Financial Statements for the year ended 30 June 2020", which includes the directors' report, the report of the audit and risk committee and the certificate by Company Secretary, as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report and the integrated annual report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Imperial Logistics Limited for 19 years.

Deloitte & Touche

**Deloitte & Touche**
Registered Auditors
Per: MLE Tshabalala
Partner
25 August 2020

5 Magwa Crescent
Midrand
South Africa
2066

# Report of the audit committee

for the year ended 30 June 2020

The audit committee has pleasure in submitting this report, which has been approved by the board and has been prepared in accordance with section 94(7)(f) of the Companies Act and incorporating the recommendations of the King Code of Corporate Governance™* (King IV).

In summary, this committee assists the board in its responsibilities covering the following:
- Internal and external audit processes for the group taking into account the significant risks.
- Adequacy and functioning of the group's internal controls.
- Integrity of the financial reporting.

The committee has performed all the duties required in section 94(7) of the Companies Act, and paragraph 3.84(g) of the JSE Listings Requirements.

## Members of the audit committee and attendance at meetings

The audit committee consists of the non-executive directors listed below and meets at least four times per annum in accordance with its charter.

All members act independently as described in the Act. The members of the committee for the year ended 30 June 2020 comprised Mr GW Dempster (Chairman), Mr RJA Sparks, Mr P Cooper, and Ms B Radebe (the committee), all of whom are independent non-executive directors of the company.

Ms T Skweyiya was a member of the audit committee and resigned from the audit committee during October 2019, effective December 2019.

The members are being recommended by the board for appointment for the financial year ending 30 June 2021, and their appointments are being submitted to shareholders for approval at the next annual general meeting (AGM) on 9 November 2020. The abridged curricula vitae of the members are included in the integrated annual report, which is available on the group's website at www.imperiallogistics.com.

During the year under review, four meetings were held and attendance of those meetings is set out in the table below:

| Member | Meetings attended during the year |
|---|---|
| GW Dempster (Chairman) | 4 |
| RJA Sparks | 4 |
| P Langeni | 4 |
| P Cooper | 4 |
| T Skweyiya – resigned October 2019 | 2/2 |
| B Radebe – member from October 2019 | 3/3 |

The head of the internal audit department and the external auditor, in their capacities as auditors of the group, attend and report at all audit committee meetings. The group risk management function is also represented by the head of risk. Executive directors and relevant senior financial managers attend meetings by invitation. In addition, the Chairman of the board is invited to attend all meetings.

## Role of the audit and risk committee

The audit and risk committee has adopted a formal charter, approved by the board, setting out its duties and responsibilities as prescribed in the Act and incorporating additional duties delegated to it by the board.

The committee:
- Fulfils the duties that are assigned to it by the Act and as governed by other legislative requirements, including the statutory audit committee functions required for subsidiary companies in the group.
- Assists the board in overseeing the quality and integrity of the group's integrated reporting process, including the financial statements, sustainability reporting and announcements in respect of the financial results.
- Ensures that an effective control environment in the group is maintained.
- Provides the Chief Financial Officer, Group Risk Executive, external auditor and the Head of Internal Audit with unrestricted access to the committee and its chairman as is required in relation to any matter falling within the ambit of the committee.

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- Meets with the external auditor, senior managers and executive directors as the committee may determine necessary.
- Meets confidentially with the internal and external auditors without other executive board members and the company's Chief Financial Officer being present.
- Reviews and recommends to the board the preliminary and interim financial results, and the integrated annual report and annual financial statements.
- Oversees the activities of, and ensures coordination between, the internal and external auditors.
- Fulfils the duties that are assigned to it by the Act and as governed by other legislative requirements, including the statutory audit committee functions required for subsidiary companies in the group.
- Receives and deals with any complaints concerning accounting practices, internal audit or the content and audit of its financial statements or related matters.
- Conducts annual reviews of the audit committee's work and terms of reference.
- Assesses the performance and effectiveness of the audit committee and its members on a regular basis.

## Finance risk review committees (FRRC)

Due to the size and diverse nature of the group, the audit committee has established divisional FRRCs which provide additional assurance to the group's audit committee. These FRRCs are chaired by the group's Chief Financial Officer.

## Execution of functions during the year

The committee is satisfied that, for the 2020 financial year, it has performed all the functions required to be performed by an audit committee as set out in the Companies Act and the committee's charter.

The audit committee discharged its functions in terms of the charter and ascribed to it in terms of the Companies Act during the year under review as follows:

### External audit

The committee among other matters:

- Nominated Deloitte & Touche and Mr MLE Tshabalala as the external auditor and designated auditor respectively to shareholders for appointment as auditor for the financial year ended 30 June 2020, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor.
- Nominated the external auditor for each material subsidiary company for reappointment.
- Reviewed the audit effectiveness and evaluated the external auditor's internal quality control procedures.
- Obtained an annual confirmation from the auditor that their independence was not impaired.
- Maintained a policy setting out the categories of non-audit services that the external auditor may and may not provide, split between permitted, permissible and prohibited services.
- Approved non-audit services with Deloitte & Touche in accordance with the committee's policy.
- Approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor.
- Obtained assurances from the external auditor that adequate accounting records were being maintained by the company and its material subsidiaries.
- Considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, No 26 of 2005.
- Considered any reported control weaknesses, management's response for their improvement and assessed their impact on the general control environment.
- Considered the tenure of the external auditor and found it to be appropriate.
- Noted the requirement relating to mandatory audit firm rotation and that this will be implemented at the appropriate time.

The committee is satisfied that Deloitte & Touche is independent of the group after taking the following factors into account:

- Representations made by Deloitte & Touche to the committee.
- The auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefits from the company.
- The auditor's independence was not impaired by any consultancy, advisory or other work undertaken by the auditor.
- The auditor's independence was not prejudiced as a result of any previous appointment as auditor.
- The criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies.

# Report of the audit committee continued

for the year ended 30 June 2020

## Internal audit

The audit committee:

- Reviewed and approved the internal audit charter and annual audit plan and evaluated the independence, effectiveness and performance of the internal audit department and compliance with its charter.
- Considered the reports of the internal auditor on the group's systems of internal control including financial controls, business risk management and maintenance of effective internal control systems.
- Received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof.
- Reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to significant internal audit findings.

The head of internal audit reports functionally to the chair of the committee and administratively to the Chief Financial Officer, and confirmed that the internal and financial controls during the year remain effective for the preparation of reliable financial information, and that the head of internal audit is satisfied with the governance structures and processes regarding risk management across the group, and the degree to which management has embraced risk management.

## Adequacy and functioning of the group's internal controls

The committee reviewed the plans and work outputs of the external and internal auditors and concluded that these were adequate to address all significant financial risks facing the business.

As noted above, it also reviewed the reporting around the adequacy of the internal controls and based on this concluded that there had been no material breakdowns in internal control, including financial controls, business risk management and the maintenance of effective material control systems.

## Financial reporting

The audit committee ensures that the financial reporting to stakeholders fairly presents the state of affairs of the group. This covers the annual financial statements, integrated annual report, and interim and preliminary reports.

The committee among other matters:

- Confirmed the going concern as the basis of preparation of the interim and annual financial statements.
- Reviewed compliance with the financial conditions of loan covenants and determined that the capital of the company was adequate.
- Examined and reviewed the preliminary and interim reports and the integrated and annual financial statements, as well as all other financial information disclosed prior to the submission to the board for their approval and then for disclosure to stakeholders.
- Ensured that the annual financial statements fairly present the financial position of the company and of the group as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the company and the group was determined to be a going concern.
- Considered the appropriateness of the accounting policies adopted and changes thereto.
- Reviewed the external auditor's audit report and key audit matters included.
- Reviewed the representation letter relating to the annual financial statements which was signed by management.
- Considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements.
- Considered accounting treatments, significant unusual transactions and accounting judgements.

## Proactive monitoring

The audit and risk committee hereby confirms that it has considered the findings contained in the Johannesburg Stock Exchange Limited's (JSE) proactive monitoring reports when preparing the preliminary results and the annual financial statements for the year ended 30 June 2020.

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## Key audit matters

The audit committee has considered the key audit matters as outlined in the external auditor's report on page 4. These matters have been covered in the significant areas of judgement below.

## Significant areas of judgement

In arriving at the numbers disclosed in the financial statements there are many areas where judgement is needed. These are outlined in note 1.26 to the consolidated annual financial statements. The audit committee has considered the quantum of the assets and liabilities on the statement of financial position and other items that require significant judgement and decided to expand on the following:

- Inventories.
- Trade receivables.
- Land and buildings.
- Goodwill and intangible assets.
- Income tax.
- Put option liabilities.
- Valuation of subsidiaries sold within the group.
- Incremental borrowing rate on leases.

In making its assessment in each of the above areas, the FRRCs and the audit committee examined the external auditor's report and questioned senior management in arriving at their conclusions.

### Inventories

The major risks relating to this asset are the physical verification and valuation being at the lower of cost and net realisable value. The group has adopted a strict process to count inventory on a regular basis and to follow up on any discrepancies to the accounting records. There were no material adjustments during the year.

The cost of the inventory is assessed in relation to its anticipated realisable value and the necessary impairments raised.

The FRRCs and audit committee consider the carrying value of inventory to be fairly stated. Refer to note 10 in the consolidated annual financial statements for the amounts.

### Trade receivables

The significant risk relating to this asset is credit risk. Credit extension assessment processes are the responsibility of management. Based on the past due ageing, historical credit losses, future indicators of increased credit risk and management's judgement of the receivables' collectability, an allowance for expected credit losses is raised.

The FRRCs and audit committee assessed the credit loss provisioning and consider the carrying value of trade receivables to be fairly stated. Refer to note 35.1.4 in the consolidated annual financial statements.

### Land and buildings

These assets need to be assessed annually for their residual value, useful lives and impairment. Buildings have estimated useful lives of 20 years.

To arrive at the residual value of a building in today's values, the usage of the building and its forecast residual value at the end of its useful life needs to be assessed and then this amount is present valued. This requires the use of capitalisation rates and discount factors with a high level of judgement.

To further advance the review, the group has a process of valuing its property portfolio to assess for impairments. All properties will be valued over a five-year cycle. The valuation was done by an external expert using the income approach method.

The FRRCs and the audit committee considered the carrying values to be fairly stated. Refer to notes 5 and 25 in the consolidated annual financial statements.

# Report of the audit committee continued

for the year ended 30 June 2020

## Goodwill and intangible assets

Goodwill and indeterminate useful life intangible assets are assessed annually for impairment. The key assumptions used are cash flow projections, growth rates and discount rates applied. The cash flow projections are approved by senior management. The discount rates are established by an independent expert taking into account the geographic and other risk factors relating to the particular cash-generating unit (CGU) being assessed.

The audit committee considered the impairment tests noting the assumptions used, their sensitivities and the headroom.

The customer lists and networks are amortised.

FRRCs and the audit committee agreed with the impairment of the goodwill and intangible assets where required and that the carrying value of the goodwill and intangible assets are fairly stated. Refer to notes 4 and 26 in the consolidated annual financial statements for further details.

## Income tax

The group operates in different jurisdictions with complex tax legislations requiring judgement in recognising tax liabilities. There is also judgement needed in recognising deferred tax assets.

The FRRCs and audit committee questioned management on the computation and tax risks relating to the group. Where appropriate, the audit committee also considers the opinions of the group's independent tax advisers.

The audit committee considers the probability of the recovery of significant deferred tax assets, based on forecasts prepared by management. No significant new tax issues arose during the current year.

Refer to notes 1.17, 8 and 28 in the consolidated annual financial statements for further details.

## Put option liabilities

These liabilities arise when new acquisitions have contractual obligations enabling non-controlling interest shareholders to put their shares back to the group at an agreed price. The initial recognition of this amount is debited directly to equity with subsequent remeasurement to the liability recognised in the statement of profit or loss.

In arriving at the liability the future earnings need to be assessed and discounted back to calculate the present value. This requires a high level of judgement.

FRRCs and the audit committee consider that the carrying value is fairly reflected. Refer to notes 1.25, 20 and 35.2.2 and the consolidated statement of changes in equity for further details.

## Valuation of subsidiaries sold within the group

Subsidiaries sold within the group as a part of the group restructure were done at fair value as required by the group's bankers. Significant judgement is required for the inputs used in the valuation models that resulted in the fair values.

Refer to notes 1.3 and 2 of the company financial statements for further details.

## Incremental borrowing rates

To determine the incremental borrowing rate, the group used independent third-party information (JIBAR, EURIBOR, LIBOR rates) adjusted for conditions specific to the borrowing entity with specific adjustments to take into account the lease term, country, currency and security. This process entails a high level of management judgement.

## New accounting standards and interpretations

### IFRS 16 – Leases

On adoption of IFRS 16, the group recognised lease obligations in relation to leases which had previously been classified as operating leases under the principles of IAS 17 – Leases. The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses the incremental borrowing rate of the borrowing entity.

### IFRIC 23 – Uncertainty over Income Tax Treatments

This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It requires an entity to recognise and measure tax assets and tax liabilities taking those uncertainties into consideration.

Refer to notes 1.13, 1.17 and 2 of the consolidated annual financial statements for further details.

### Quality of earnings

The reconciliation of the attributable profits to headline earnings is outlined in note 29 to the consolidated annual financial statements.

### Risk management and information technology (IT) governance

The committee:

- Reviewed the group's policies on risk assessment and risk management, including fraud risks and IT risks as they pertain to financial reporting and the going concern assessment, and found them to be sound.
- Considered the relevant findings and recommendations by the risk and audit committee.

### Legal and regulatory requirements

To the extent that these may have an impact on the annual financial statements, the committee:

- Reviewed legal matters that could have a material impact on the group.
- Reviewed the adequacy and effectiveness of the group's procedures, including its risk management framework, to ensure compliance with legal and regulatory responsibilities.
- Monitored complaints received via the group's whistle-blowing service.
- Considered reports provided by management, internal audit and the external auditors regarding compliance with legal and regulatory requirements.

### Expertise and experience of Chief Financial Officer and the finance function

As required by section 3.84(h) of the JSE Limited Listings Requirements, the audit committee has satisfied itself that the Chief Financial Officer, Mr JG de Beer, has the appropriate expertise and experience. In addition, the committee satisfied itself that the composition, experience and skills set of the finance function met the group's requirements.

### Subsidiary companies

The functions of the committee are also performed for each subsidiary company of Imperial Logistics Limited that has not appointed an audit committee, on the basis that the committee delegates the performance of such functions to sub-committees referred to as finance and risk review committees.

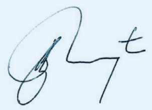
Divisional finance and risk review committees have been constituted and these committees report significant issues to the group audit and risk committee. Each divisional finance and risk review committee is chaired by the Chief Financial Officer with no operational role in the divisions.

### Annual financial statements and integrated annual report

Following the review by the committee of the consolidated and separate annual financial statements of Imperial Logistics Limited for the year ended 30 June 2020, the committee is of the view that in all material respects they comply with the relevant provisions of the Act and International Financial Reporting Standards and fairly present the consolidated and separate financial positions at that date and the results of operations and cash flows for the year then ended.

The committee will also satisfy itself of the integrity of the integrated annual report and the sustainability information reported therein.

Having achieved its objectives, the committee has recommended the consolidated and separate annual financial statements and the integrated annual report for the year ended 30 June 2020 for approval to the board. The board has subsequently approved the reports, which will be open for discussion at the forthcoming AGM.



**GW Dempster**
Chairman

25 August 2020

# Directors' report

for the year ended 30 June 2020

## Nature of business

Imperial Logistics is mainly an African and Eurozone logistics provider of outsourced, integrated freight management, contract logistics and market access – customised to ensure the relevance and competitiveness of our clients. The group is listed on the JSE in South Africa and employs approximately 25 000 people who generate annual revenues in excess of R46 billion in 26 countries.

## Financial performance

Net attributable loss for the year amounted to R303 million (2019: R3 438 million profit).

Basic loss per share for the year was 161 cents compared to a profit per share of 1 773 cents in 2019.

The results for the year are set out in the consolidated statement of profit or loss on page 17 of this report.

## Share capital

The authorised and issued share capital is detailed in note 14 and the shares repurchased in note 15 to the consolidated annual financial statements.

The number of shares in issue at 30 June 2020 was as follows:

| | Company | Shares repurchased | Net |
|---|---|---|---|
| **Ordinary shares** | | | |
| The movement in ordinary shares was as follows: | | | |
| Ordinary shares at beginning of year | 201 242 919 | (4 914 335) | 196 328 584 |
| Conversion of deferred ordinary shares to ordinary shares | 831 469 | | 831 469 |
| Ordinary shares acquired to hedge share schemes | | (4 037 273) | (4 037 273) |
| Ordinary shares delivered to settle share schemes | | 358 817 | 358 817 |
| Ordinary shares at end of year | 202 074 388 | (8 592 791) | 193 481 597 |
| **Deferred ordinary shares** | | | |
| The movement in deferred ordinary shares was as follows: | | | |
| Deferred ordinary shares at beginning of year | 6 867 891 | | 6 867 891 |
| Conversion of deferred ordinary shares to ordinary shares | (831 469) | | (831 469) |
| Deferred ordinary shares at end of year | 6 036 422 | – | 6 036 422 |
| Total ordinary and deferred ordinary shares in issue | 208 110 810 | (8 592 791) | 199 518 019 |

## Directors and company secretary

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

In accordance with the memorandum of incorporation, Mr M Akoojee, Mr P Cooper and Ms P Langeni retire by rotation at the forthcoming AGM but, being eligible, offer themselves for re-election.

Ms T Skweyiya resigned from the board in December 2019.

The aggregate interest of the directors in the issued ordinary share capital of the company is disclosed in note 39 to the consolidated annual financial statements.

The board has considered and confirmed the suitability, qualifications and competence of the company secretary.

## Imperial Logistics share appreciation rights, deferred bonus and conditional share plan (CSP) schemes

Details of the rights granted in terms of the schemes are set out in note 16.2 to the consolidated annual financial statements.

## Dividends

Details of the dividends declared during the financial year are set out in note 31 to the consolidated annual financial statements. Shareholders are advised that there will be no final dividend paid.

## Subsidiaries

Details of the company's principal subsidiaries are reflected in note 36.1 to the consolidated annual financial statements.

## Material subsidiaries acquired by the group
Details of material subsidiaries acquired are reflected in note 37 of this report.

## Material subsidiaries reclassified to held for sale during the year
The group has entered into an agreement for the sale of its interest, being shares and claims, in its European shipping business. All conditions relating to the sale has been fulfilled and the transaction was implemented on 31 July 2020.

The group decided to sell it 65% interest in Pharmed. A sale agreement was concluded at year-end with the sale subject to Competition Commission approval.

Refer to notes 3 and 13 of the consolidated annual financial statements.

## New accounting standards and interpretations
Refer to notes 1.13, 1.17 and 2 of the consolidated annual financial statements.

## Special resolutions
The company passed the following special resolutions at its AGM held on 30 October 2019:
- Granting to the directors of the company general authority for the acquisition by the company or any subsidiary, of ordinary shares in the company.
- Granting to the directors of the company specific authority to provide financial assistance to related and inter-related parties as contemplated in sections 44 and 45 of the Companies Act (the Act).
- Approving the directors' fees payable from 1 July 2019 to 30 June 2020 and from 1 July 2020 to 30 June 2021.

Subsidiaries of the company passed special resolutions, the nature of which might be significant to members in their appreciation of the state of affairs of the group, as follows:
- Granting to the directors of the companies specific authority to provide financial assistance to related and inter-related parties as contemplated in section 45 of the Act.
- Granting to the companies authority to make distributions as contemplated in section 46 of the Act.
- Approving directors' fees.
- Adopting new memorandum of incorporation.

## Events after the reporting period
### Dividend declaration
Shareholders are advised that there will be no final dividend paid. For more detail please refer to note 31 to the consolidated annual financial statements.

### Sale of European shipping business
The group's European shipping business, presented as a discontinued operation at 30 June 2020, was disposed of on 31 July 2020. The proceeds on disposal of R3 440 million resulted in a decrease in net debt of the same value.

On 30 July 2020 Imperial entered into an agreement for the sale of the Pharmed business. Refer to note 13.2 in the annual financial statements.

Effective August 2020, Imperial acquired a 49% shareholding in Pharmafrique Proprietary Limited (trading as Kiara Health) for approximately R76 million. Kiara Health is a pharmaceutical manufacturing and healthcare services company based in Johannesburg which serves as the local manufacturing partner for a global leader in generic and biosimilar medicines. This acquisition is in line with Imperial's strategy to backward integrate into contract manufacturing as part of its market access service to multinationals on the continent. Access to this capability will create a pipeline of opportunities for our market access and logistics services in the healthcare industry in South Africa.

## Going concern statement
The directors consider it is appropriate for the going concern basis to be adopted in preparing the preliminary report and financial statements. For more detail please refer to note 40 to the annual financial statements.

## Accounting policies and new and revised International Financial Reporting Standards
These are outlined in notes 1 and 2 to the consolidated annual financial statements.

# Consolidated statement of financial position^

at 30 June 2020

| | Notes | 2020 Rm | 2019~ Rm | 2018~ Rm |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Goodwill and intangible assets | 4 | **7 084** | 6 719 | 8 575 |
| Investment in associates and joint ventures | 36.3 | **198** | 520 | 752 |
| Property, plant and equipment | 5 | **3 326** | 2 647 | 3 042 |
| Transport fleet | 6 | **5 186** | 5 309 | 5 219 |
| Right-of-use assets | 7 | **5 422** | 4 780 | 5 335 |
| Deferred tax assets | 8 | **1 510** | 1 227 | 940 |
| Investments and other financial assets | 9 | **271** | 225 | 258 |
| Inventories | 10 | **2 676** | 2 349 | 2 194 |
| Tax in advance | | **221** | 259 | 364 |
| Contract assets | 11.2 | **565** | 875 | 872 |
| Trade and other receivables | 11.1 | **7 369** | 9 208 | 8 835 |
| Cash resources | 12 | **3 374** | 1 646 | 2 818 |
| Assets of disposal group | 13.2 | **598** | | |
| Assets of discontinued operations | 13.1 | **4 726** | 296 | |
| Assets held for distribution to owners of Imperial | | | | 36 637 |
| **Total assets** | | **42 526** | 36 060 | 75 841 |
| **EQUITY AND LIABILITIES** | | | | |
| **Capital and reserves** | | | | |
| Share capital and share premium | 14 | **1 030** | 1 030 | 1 030 |
| Shares repurchased | 15 | **(789)** | (586) | (560) |
| Other reserves | 16 | **1 397** | 761 | 195 |
| Retained earnings | | **5 682** | 6 569 | 21 656 |
| **Attributable to owners of Imperial** | | **7 320** | 7 774 | 22 321 |
| Put arrangement over non-controlling interest | | **(266)** | (527) | (566) |
| Non-controlling interests | | **1 218** | 913 | 886 |
| **Total equity** | | **8 272** | 8 160 | 22 641 |
| **Liabilities** | | | | |
| Non-redeemable non-participating preference shares | | | | 441 |
| Retirement benefit obligations | 17 | **1 109** | 1 343 | 1 216 |
| Interest-bearing borrowings | 18 | **9 017** | 6 523 | 6 544 |
| Lease obligations | 19 | **4 468** | 4 366 | 4 368 |
| Deferred tax liabilities | 8 | **901** | 809 | 1 137 |
| Other financial liabilities | 20 | **1 415** | 1 075 | 1 209 |
| Provisions for liabilities and other charges | 21 | **903** | 990 | 521 |
| Trade and other payables | 22 | **9 163** | 10 053 | 9 553 |
| Current tax liabilities | | **375** | 318 | 303 |
| Current portion of interest-bearing borrowings | 18 | **2 748** | 820 | 1 472 |
| Current portion of lease obligations | 19 | **1 612** | 1 603 | 1 482 |
| Liabilities of disposal group | 13.2 | **356** | | |
| Liabilities of discontinued operations | 13.1 | **2 187** | | |
| Liabilities associated with assets held for distribution to owners of Imperial | | | | 24 954 |
| **Total liabilities** | | **34 254** | 27 900 | 53 200 |
| **Total equity and liabilities** | | **42 526** | 36 060 | 75 841 |

~ Restated for the adoption of IFRS 16 – Leases and IFRIC 23 – Uncertainty over Income Tax Treatments, refer to note 2.
^ Please refer to note 3.

# Consolidated statement of profit or loss^

for the year ended 30 June 2020

| | Notes | 2020 Rm | 2019~ Rm |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **Revenue** | 23.1 | **46 380** | 44 039 |
| Net operating expenses | 24 | **(42 282)** | (39 423) |
| **Profit from operations before depreciation and recoupments** | | **4 098** | 4 616 |
| Depreciation, amortisation, impairments and recoupments | 25.1 | **(2 639)** | (2 203) |
| **Operating profit** | | **1 459** | 2 413 |
| Impairment of properties net of recoupments | 25.2 | **(194)** | (6) |
| Amortisation and impairment of intangible assets arising on business combinations | | **(393)** | (400) |
| Foreign exchange gains (losses) | | **93** | (47) |
| Other non-operating items | 26 | **52** | (1 111) |
| **Profit before net finance costs** | | **1 017** | 849 |
| Finance cost | 27 | **(805)** | (730) |
| Finance income | 27 | **43** | 125 |
| **Profit before share of results of associates and joint ventures** | | **255** | 244 |
| Share of results of associates and joint ventures | | **22** | 39 |
| **Profit before tax** | | **277** | 283 |
| Income tax expense | 28 | **(159)** | (386) |
| **Profit (loss) for the year from continuing operations** | | **118** | (103) |
| **DISCONTINUED OPERATIONS** | | **(344)** | 3 683 |
| Net (loss) from Consumer Packaged Goods (CPG) | 13 | **(305)** | (1 923) |
| Net (loss) profit from the European shipping business | 13 | **(39)** | 214 |
| Net profit from Motus Holdings Limited (Motus) | | | 5 392 |
| **Net (loss) profit for the year** | | **(226)** | 3 580 |
| **Net profit (loss) attributable to:** | | | |
| **Owners of Imperial** | | **(303)** | 3 438 |
| – Continuing operations | | **42** | (232) |
| – Discontinued operations | | **(345)** | 3 670 |
| **Non-controlling interests** | | **77** | 142 |
| – Continuing operations | | **76** | 129 |
| – Discontinued operations | | **1** | 13 |
| **Earnings (loss) per share (cents)** | 29 | | |
| **Continuing operations** | | | |
| – Basic | | **22** | (120) |
| – Diluted | | **22** | (120) |
| **Discontinued operations** | | | |
| – Basic | | **(183)** | 1 893 |
| – Diluted | | **(177)** | 1 893 |
| **Total operations** | | | |
| – Basic | | **(161)** | 1 773 |
| – Diluted | | **(155)** | 1 773 |

~ Restated for the adoption of IFRS 16 – Leases (refer to note 2) and re-presented for the European shipping business as a discontinued operation in terms of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.
^ Please refer to note 3.

# Consolidated statement of comprehensive income^

for the year ended 30 June 2020

| | 2020 Rm | 2019~ Rm |
|---|---|---|
| **Net (loss) profit for the year** | **(226)** | 3 580 |
| **Other comprehensive income** | **909** | 307 |
| **Items that may be reclassified subsequently to profit or loss** | **975** | 382 |
| Exchange gains arising on translation of foreign operations | **1 004** | 211 |
| Movement in hedge accounting reserve | **(29)** | 171 |
| – Effective portion of changes in fair value of cash flow hedges | **(39)** | (131) |
| – Amount removed from hedge accounting reserve on matured contracts | **(1)** | 266 |
| – Income tax relating to hedge accounting reserve movements | **11** | 36 |
| **Items that will not be reclassified subsequently to profit or loss** | **(66)** | (75) |
| Remeasurement of defined benefit obligations | **(100)** | (127) |
| Income tax on remeasurement of defined benefit obligations | **34** | 52 |
| **Total comprehensive income for the year** | **683** | 3 887 |
| **Total comprehensive income attributable to:** | | |
| Owners of Imperial | **475** | 3 739 |
| Non-controlling interests | **208** | 148 |
| | **683** | 3 887 |

~ Restated for the adoption of IFRS 16 – Leases, refer to note 2.
^ Please refer to note 3.

# Consolidated statement of cash flows^

Imperial™

for the year ended 30 June 2020

| | Notes | 2020 Rm | 2019~ Rm |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipt from customers | | **54 387** | 50 443 |
| Cash paid to suppliers and employees | | **(49 292)** | (45 111) |
| **Cash generated by operations before interest and taxes paid** | 30.1 | **5 095** | 5 332 |
| Finance cost paid | | **(963)** | (1 265) |
| Finance income received | | **45** | 128 |
| Tax paid | | **(367)** | (622) |
| **Cash generated by operations before capital expenditure on rental assets** | | **3 810** | 3 573 |
| Net capital expenditure – rental assets (Motus) | | | (1 172) |
| | | **3 810** | 2 401 |
| **Cash flows from investing activities** | | | |
| Acquisition of subsidiaries and businesses | 30.2 | **(304)** | (104) |
| Disposal of subsidiaries and businesses | 30.3 | **28** | 12 |
| Expansion capital – excluding rental assets | | **(747)** | (536) |
| Net replacement capital expenditure – excluding rental assets | 30.4 | **(735)** | (737) |
| Proceeds from sale of the Gruber associate | | | 226 |
| Net movement in other associates and joint ventures | 30.7 | **45** | 53 |
| Net movement in investments, loans and non-current financial instruments | 30.8 | **(59)** | (147) |
| | | **(1 772)** | (1 233) |
| **Cash flows from financing activities** | | | |
| Hedge cost premium paid | | **(2)** | (161) |
| Payment of interest-rate swap instrument | | **(11)** | (13) |
| Repurchase of ordinary shares | | **(225)** | (262) |
| Dividends paid | | **(658)** | (1 227) |
| Cash resources distributed as part of the Motus dividend in specie | | | (1 058) |
| Change in non-controlling interests | | **(277)** | (142) |
| Capital raised from non-controlling interests | | | 200 |
| Settlement of non-redeemable, non-participating preference shares | | | (378) |
| Net increase in interest-bearing borrowings | 30.5 | **2 828** | 828 |
| Repayments of lease obligations | | **(2 032)** | (1 684) |
| | | **(377)** | (3 897) |
| **Net increase (decrease) in cash resources** | | **1 661** | (2 729) |
| Effects of exchange rate changes on cash resources in a foreign currency | | **279** | 74 |
| Cash resources at beginning of year | | **1 646** | 4 301 |
| **Cash resources at end of year** | 30.6 | **3 586** | 1 646 |

~ Restated for the adoption of IFRS 16 – Leases, refer to note 2.
^ Please refer to note 3.

# Consolidated statement of changes in equity^

for the year ended 30 June 2020

| | Share capital and premium Rm | Shares repurchased Rm | Share-based payment reserve Rm | Hedge accounting reserve Rm | Statutory reserve Rm |
|---|---|---|---|---|---|
| **At 30 June 2018** | 1 030 | (560) | (22) | 200 | 25 |
| Net impact of the adoption of IFRS 16 – Leases and IFRIC 23 – Uncertainty over Income Tax Treatments (refer to note 2) | | | | | |
| **Restated opening balance at 1 July 2018** | 1 030 | (560) | (22) | 200 | 25 |
| **Total restated comprehensive income for the year** | | | | 171 | |
| Total comprehensive income for the year as previously reported | | | | 171 | |
| Net impact of the adoption of IFRS 16 – Leases and IFRIC 23 – Uncertainty over Income Tax Treatments (refer to note 2) | | | | | |
| Share-based cost charged to profit or loss | | | 181 | | |
| Share-based equity reserve transferred to retained earnings on vesting | | | 40 | | |
| Shares delivered to settle share-based obligations | | 136 | (136) | | |
| Share-based equity reserve hedge cost | | | (137) | | |
| Transfer of share-based payment reserve to a share-based payment liability | | | (12) | | |
| Statutory reserve transferred to retained earnings | | | | | 31 |
| Ordinary dividend of 387 cents per share paid in September 2018 | | | | | |
| Ordinary dividend of 135 cents per share paid in March 2019 | | | | | |
| Ordinary dividend distribution in specie on unbundling of Motus | | | | | |
| Repurchase of 4 085 044 shares at an average price of R64 plus transaction costs | | (262) | | | |
| Cancellation of 1 560 000 shares | | 100 | | | |
| Non-controlling interest acquired, net of disposals and shares issued | | | | | |
| Net decrease in non-controlling interest through buy-outs | | | | | |
| Realisation on disposal of subsidiaries | | | 9 | (411) | 1 |
| Non-controlling interest share of dividends | | | | | |
| **At 30 June 2019 – restated** | 1 030 | (586) | (77) | (40) | 57 |
| **Total comprehensive income for the year** | | | | **(29)** | |
| Share-based cost charged to profit or loss | | | **36** | | |
| Share-based equity reserve transferred to retained earnings on vesting | | | **(9)** | | |
| Shares delivered to settle share-based obligations | | **22** | **(22)** | | |
| Share-based equity reserve hedge cost | | | **(1)** | | |
| Statutory reserve transferred to retained earnings | | | | | **(3)** |
| Ordinary dividend of 109 cents per share paid in September 2019 | | | | | |
| Ordinary dividend of 167 cents per share paid in March 2020 | | | | | |
| Repurchase of 4 037 273 shares at an average cost price of R55,84 | | **(225)** | | | |
| Non-controlling interest acquired in business combinations, net of disposals and shares issued | | | | | |
| Net decrease in non-controlling interest through buy-outs | | | | | |
| Non-controlling interest share of dividends | | | | | |
| **At 30 June 2020** | **1 030** | **(789)** | **(73)** | **(69)** | **54** |

^ Please refer to note 3.

| Foreign currency reserve Rm | Premium paid on purchase of non-controlling interest Rm | Retained earnings Rm | Attributable to owners of Imperial Rm | Put arrangement over non-controlling interest Rm | Non-controlling interests Rm | Total equity Rm |
|---|---|---|---|---|---|---|
| 1 448 | (1 380) | 22 050 | 22 791 | (566) | 900 | 23 125 |
| (76) | | (394) | (470) | | (14) | (484) |
| 1 372 | (1 380) | 21 656 | 22 321 | (566) | 886 | 22 641 |
| 206 | | 3 362 | 3 739 | | 148 | 3 887 |
| 202 | | 3 365 | 3 738 | | 152 | 3 890 |
| 4 | | (3) | 1 | | (4) | (3) |
| | | | 181 | | | 181 |
| | | (40) | | | | |
| | | | (137) | | | (137) |
| | | | (12) | | | (12) |
| | | (31) | | | | |
| | | (767) | (767) | | | (767) |
| | | (263) | (263) | | | (263) |
| | | (17 036) | (17 036) | | | (17 036) |
| | | | (262) | | | (262) |
| | | (100) | | | | |
| | | | | | 28 | 28 |
| | 10 | | 10 | 39 | 48 | 97 |
| 301 | 312 | (212) | | | | |
| | | | | | (197) | (197) |
| 1 879 | (1 058) | 6 569 | 7 774 | (527) | 913 | 8 160 |
| **873** | | **(369)** | **475** | | **208** | **683** |
| | | | **36** | | **2** | **38** |
| | | **9** | | | | |
| | | | **(1)** | | | **(1)** |
| | | **3** | | | | |
| | | **(208)** | **(208)** | | | **(208)** |
| | | **(322)** | **(322)** | | | **(322)** |
| | | | **(225)** | | | **(225)** |
| | | | | | **329** | **329** |
| | **(209)** | | **(209)** | **261** | **(106)** | **(54)** |
| | | | | | **(128)** | **(128)** |
| **2 752** | **(1 267)** | **5 682** | **7 320** | **(266)** | **1 218** | **8 272** |

# Segmental information – continuing operations

for the year ended 30 June 2020

| Profit or loss for the year ended 30 June | Imperial Logistics 2020 Rm | Imperial Logistics 2019* Rm | Logistics South Africa 2020 Rm | Logistics South Africa 2019* Rm |
|---|---|---|---|---|
| **Revenue** | **46 380** | 44 039 | **13 919** | 12 855 |
| – South Africa | **14 369** | 13 075 | **13 919** | 12 855 |
| – Rest of Africa | **13 396** | 12 105 | | |
| – International | **18 615** | 18 859 | | |
| **Operating profit** | **1 459** | 2 413 | **726** | 1 065 |
| – South Africa | **652** | 1 008 | **726** | 1 065 |
| – Rest of Africa | **751** | 817 | | |
| – International | **56** | 588 | | |
| **Depreciation, amortisation, impairments and recoupments** | **(3 226)** | (2 609) | **(878)** | (805) |
| – South Africa | **(887)** | (806) | **(878)** | (805) |
| – Rest of Africa | **(468)** | (379) | | |
| – International | **(1 871)** | (1 424) | | |
| **Net finance cost** | **(762)** | (605) | **(279)** | (252) |
| – South Africa | **(292)** | (184) | **(279)** | (252) |
| – Rest of Africa | **(218)** | (186) | | |
| – International | **(252)** | (235) | | |
| **Pre-tax profits^** | **504** | 1 430 | **462** | 767 |
| – South Africa | **536** | 792 | **462** | 767 |
| – Rest of Africa | **512** | 440 | | |
| – International | **(544)** | 198 | | |
| **ADDITIONAL SEGMENT INFORMATION** | | | | |
| **Analysis of revenue by type** | | | | |
| – Sale of goods | **12 647** | 10 830 | **5** | 23 |
| – Rendering of services | **33 733** | 33 209 | **13 903** | 12 813 |
| **External revenue** | **46 380** | 44 039 | **13 908** | 12 836 |
| **Inter-group revenue** | | | **11** | 19 |
| **Revenue** | **46 380** | 44 039 | **13 919** | 12 855 |
| **Analysis of depreciation, amortisation, impairments and recoupments** | **(3 226)** | (2 609) | **(878)** | (805) |
| Depreciation and amortisation | **(2 552)** | (2 231) | **(879)** | (792) |
| Recoupments and impairments | **(281)** | 22 | **18** | 40 |
| Amortisation and impairment of intangible assets arising from business combinations | **(393)** | (400) | **(17)** | (53) |
| **Share of results of associates (included in pre-tax profits)** | **22** | 39 | **1** | 6 |
| **Operating margin (%)** | **3,1** | 5,5 | **5,2** | 8,3 |
| **Impairment of goodwill** | **223** | 1 139 | **(7)** | 148 |
| **Items excluded from pre-tax profits** | **(227)** | (1 147) | | |
| Impairment of goodwill | **(223)** | (1 139) | | |
| (Loss) profit on disposal of subsidiaries and businesses | **(23)** | 60 | | |
| Profit on disposal of associates | **40** | | | |
| Impairment of associates and loans advanced to associates | **(2)** | (73) | | |
| Impairment of equity investments | **(26)** | | | |
| Net gain on termination of leases | **7** | 5 | | |

* Restated for the adoption of IFRS 16 – Leases (refer to note 2) and re-presented for the European shipping business as a discontinued operation in terms of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.
Refer to note 13 for disclosure on discontinued operations.

^ Refer to glossary of terms on page 101.

~ Businesses held for sale include the Pharmed Group in South Africa that has been classified as a disposal group on the statement of financial position.

| Logistics African Regions | | Logistics International | | Businesses held for sale~ | | Head Office and Eliminations | |
|---|---|---|---|---|---|---|---|
| **2020 Rm** | 2019* Rm | **2020 Rm** | 2019* Rm | **2020 Rm** | 2019* Rm | **2020 Rm** | 2019* Rm |
| **13 396** | 12 105 | **18 615** | 18 859 | **461** | 519 | **(11)** | (299) |
| | | | | **461** | 519 | **(11)** | (299) |
| **13 396** | 12 105 | | | | | | |
| | | **18 615** | 18 859 | | | | |
| **751** | 817 | **56** | 588 | **(100)** | (50) | **26** | (7) |
| | | | | **(100)** | (50) | **26** | (7) |
| **751** | 817 | | | | | | |
| | | **56** | 588 | | | | |
| **(468)** | (379) | **(1 871)** | (1 424) | **(4)** | (3) | **(5)** | 2 |
| | | | | **(4)** | (3) | **(5)** | 2 |
| **(468)** | (379) | | | | | | |
| | | **(1 871)** | (1 424) | | | | |
| **(218)** | (186) | **(252)** | (235) | **(21)** | (17) | **8** | 85 |
| | | | | **(21)** | (17) | **8** | 85 |
| **(218)** | (186) | | | | | | |
| | | **(252)** | (235) | | | | |
| **512** | 440 | **(544)** | 198 | **(121)** | (67) | **195** | 92 |
| | | | | **(121)** | (67) | **195** | 92 |
| **512** | 440 | | | | | | |
| | | **(544)** | 198 | | | | |
| **12 052** | 10 210 | **165** | 124 | **423** | 455 | **2** | 18 |
| **1 261** | 1 790 | **18 450** | 18 735 | **38** | 64 | **81** | (193) |
| **13 313** | 12 000 | **18 615** | 18 859 | **461** | 519 | **83** | (175) |
| **83** | 105 | | | | | **(94)** | (124) |
| **13 396** | 12 105 | **18 615** | 18 859 | **461** | 519 | **(11)** | (299) |
| **(468)** | (379) | **(1 871)** | (1 424) | **(4)** | (3) | **(5)** | 2 |
| **(223)** | (178) | **(1 440)** | (1 248) | **(4)** | (3) | **(6)** | (10) |
| **(50)** | (23) | **(250)** | (7) | | | **1** | 12 |
| **(195)** | (178) | **(181)** | (169) | | | | |
| **4** | 21 | **16** | 12 | | | **1** | |
| **5,6** | 6,7 | **0,3** | 3,1 | | | | |
| **225** | 427 | **5** | 564 | | | | |

# Segmental information – continuing operations continued

for the year ended 30 June 2020

| Financial position at 30 June | Imperial Logistics 2020 Rm | Imperial Logistics 2019* Rm | Logistics South Africa 2020 Rm | Logistics South Africa 2019* Rm |
|---|---|---|---|---|
| **Assets** | | | | |
| Goodwill and intangible assets | **7 084** | 6 719 | **155** | 213 |
| Property, plant and equipment | **3 326** | 2 647 | **939** | 934 |
| Transport fleet | **5 186** | 5 309 | **2 937** | 2 510 |
| Right-of-use assets | **5 422** | 4 780 | **1 491** | 1 102 |
| Investments in associates (excluding loans advanced to associates) | **160** | 467 | **10** | 37 |
| Investments | **92** | 89 | **22** | 27 |
| Inventories | **2 676** | 2 349 | **72** | 431 |
| Trade, other receivables and contract assets | **7 934** | 10 083 | **2 204** | 4 063 |
| **Operating assets~** | **31 880** | 32 443 | **7 830** | 9 317 |
| – South Africa | **8 041** | 9 489 | **7 830** | 9 317 |
| – Rest of Africa | **9 527** | 6 884 | | |
| – International | **14 312** | 16 070 | | |
| **Liabilities** | | | | |
| Retirement benefit obligations | **1 109** | 1 343 | | |
| Trade and other payables and provisions | **10 066** | 11 043 | **2 902** | 4 610 |
| Other financial liabilities (excluding the put liability) | **769** | 124 | **13** | 58 |
| **Operating liabilities~** | **11 944** | 12 510 | **2 915** | 4 668 |
| – South Africa | **3 221** | 4 881 | **2 915** | 4 668 |
| – Rest of Africa | **3 534** | 2 527 | | |
| – International | **5 189** | 5 102 | | |
| **Net working capital^~** | **544** | 1 389 | **(626)** | (116) |
| – South Africa | **(840)** | (299) | **(626)** | (116) |
| – Rest of Africa | **1 822** | 1 182 | | |
| – International | **(438)** | 506 | | |
| **Net debt – excluding lease obligations~** | **8 391** | 5 697 | **2 661** | 1 469 |
| – South Africa | **2 607** | 1 227 | **2 661** | 1 469 |
| – Rest of Africa | **1 325** | 836 | | |
| – International | **4 459** | 3 634 | | |
| **Lease obligations~** | **6 080** | 5 969 | **1 775** | 2 116 |
| – South Africa | **1 774** | 2 116 | **1 775** | 2 116 |
| – Rest of Africa | **589** | 403 | | |
| – International | **3 717** | 3 450 | | |
| **Net capital expenditure~** | **(1 482)** | (1 094) | **(717)** | (569) |
| – South Africa | **(697)** | (665) | **(717)** | (569) |
| – Rest of Africa | **(161)** | (16) | | |
| – International | **(624)** | (413) | | |
| **Items excluded from total assets to arrive at operating assets** | **10 646** | 3 617 | | |
| Loans to associates | **38** | 53 | | |
| Other non-current financial assets | **179** | 136 | | |
| Deferred tax assets | **1 510** | 1 227 | | |
| Tax in advance | **221** | 259 | | |
| Cash resources | **3 374** | 1 646 | | |
| Assets of disposal groups | **598** | | | |
| Assets of discontinued operations | **4 726** | 296 | | |
| **Items excluded from total liabilities to arrive at operating liabilities** | **22 310** | 15 360 | | |
| Interest-bearing borrowings | **11 765** | 7 343 | | |
| Lease obligations | **6 080** | 5 939 | | |
| Deferred tax liabilities | **901** | 809 | | |
| Put option liability | **646** | 951 | | |
| Current tax liabilities | **375** | 318 | | |
| Liabilities associated with disposal groups | **356** | | | |
| Liabilities associated with discontinued operations | **2 187** | | | |

^ Net working capital relating to the CPG discontinued operation that has been recovered or settled through the ordinary course of business and not through sale was shown separately on the prior year reported segment but combined in the Logistics South Africa segment in the current year. Refer to note 13 for disclosure on discontinued operations.
* Restated for the adoption of IFRS 16 – Leases (refer to note 2).
~ Refer to glossary of terms on page 101.

| Logistics African Regions | | Logistics International | | CPG^ | | European shipping division | | Head Office and Eliminations | |
|---|---|---|---|---|---|---|---|---|---|
| **2020 Rm** | 2019* Rm | **2020 Rm** | 2019* Rm | **2020 Rm** | 2019* Rm | **2020 Rm** | 2019* Rm | **2020 Rm** | 2019* Rm |
| **3 089** | 2 077 | **3 824** | 4 413 | | | | | **16** | 16 |
| **914** | 348 | **1 372** | 1 266 | | | | | **101** | 99 |
| **209** | 93 | **2 040** | 2 706 | | | | | | |
| **560** | 361 | **3 370** | 3 317 | | | | | **1** | |
| **48** | 302 | **102** | 128 | | | | | | |
| | | **11** | 5 | | | | | **59** | 57 |
| **2 421** | 1 720 | **183** | 198 | | | | | | |
| **2 286** | 1 983 | **3 410** | 4 037 | | | | | **34** | |
| **9 527** | 6 884 | **14 312** | 16 070 | | | | | **211** | 172 |
| | | | | | | | | **211** | 172 |
| **9 527** | 6 884 | | | | | | | | |
| | | **14 312** | 16 070 | | | | | | |
| | | **1 109** | 1 343 | | | | | | |
| **2 885** | 2 521 | **4 031** | 3 729 | | | | | **248** | 183 |
| **649** | 6 | **49** | 30 | | | | | **58** | 30 |
| **3 534** | 2 527 | **5 189** | 5 102 | | | | | **306** | 213 |
| | | | | | | | | **306** | 213 |
| **3 534** | 2 527 | | | | | | | | |
| | | **5 189** | 5 102 | | | | | | |
| **1 822** | 1 182 | **(438)** | 506 | | | | | **(214)** | (183) |
| | | | | | | | | **(214)** | (183) |
| **1 822** | 1 182 | | | | | | | | |
| | | **(438)** | 506 | | | | | | |
| **1 325** | 836 | **4 459** | 3 634 | | | | | **(54)** | (242) |
| | | | | | | | | **(54)** | (242) |
| **1 325** | 836 | | | | | | | | |
| | | **4 459** | 3 634 | | | | | | |
| **589** | 403 | **3 717** | 3 450 | | | | | **(1)** | |
| | | | | | | | | **(1)** | |
| **589** | 403 | | | | | | | | |
| | | **3 717** | 3 450 | | | | | | |
| **(161)** | (16) | **(267)** | (203) | **24** | (89) | **(357)** | (210) | **(4)** | (7) |
| | | | | **24** | (89) | | | **(4)** | (7) |
| **(161)** | (16) | | | | | | | | |
| | | **(267)** | (203) | | | **(357)** | (210) | | |

# Notes to the consolidated annual financial statements

for the year ended 30 June 2020

## 1 ACCOUNTING POLICIES

The principal accounting policies adopted and the methods of computation used in the preparation of these consolidated annual financial statements are set out below and are consistent in all material respects with those applied during the previous year, except for the adoption of IFRS 16 – Leases and IFRIC 23 – Uncertainty over Income Tax Treatments and the early adoption of Headline Earnings Circular 1/2019.

### 1.1 Statement of compliance

The consolidated annual financial statements are stated in South African Rand and are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the group at 30 June 2020 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa.

### 1.2 Basis of measurement

The consolidated annual financial statements are prepared on the historical cost basis, modified by the remeasurement of certain financial instruments to fair value and defined retirement benefit liabilities measured in accordance with actuarial valuations.

### 1.3 Consolidation

The consolidated annual financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries).

The group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries held exclusively with a view to their subsequent disposal which is highly probable are accounted for as assets held for sale in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.

Income and expenses of subsidiaries acquired or disposed of during the year are included in profit or loss and other comprehensive income from the date on which control was obtained or lost respectively.

Total comprehensive income of subsidiaries is attributed to owners of Imperial and to non-controlling interests even if this results in non-controlling interests having a deficit balance.

In preparing the consolidated financial statements where a subsidiary of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions, appropriate adjustments are made to its financial statements to bring it in line with the group's accounting policies.

All inter-group transactions, balances and unrealised income and expenses are eliminated in full.

Changes in the group's ownership interest in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for in equity. Any difference between the amount by which non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly to the premium paid on purchase of non-controlling interests reserve in equity.

When the group loses control of a subsidiary a gain or loss is recognised in profit or loss.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 – Financial Instruments or, when applicable, the cost on initial recognition of an investment in associate or a jointly controlled entity.

### 1.4 Business combinations

Acquisition-related costs are expensed in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are measured at fair values except for deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements which are recognised and measured in accordance with IAS 12 – Income Taxes and IAS 19 – Employee Benefits respectively.

The excess of the aggregate of the consideration transferred, the non-controlling interest and the acquisition date fair value of previously held equity interest over the fair value of the identifiable net assets acquired is recognised as goodwill.

The non-controlling interests are measured at their proportionate share of the fair value of the identifiable assets acquired and liabilities assumed.

When the consideration transferred includes a contingent consideration, that contingent consideration is recognised as a liability and measured at its acquisition date fair value and included in the consideration transferred in a business combination. The contingent consideration is remeasured at subsequent dates to its fair value through profit or loss.

When the business combination is achieved in stages, the group's previously held equity interest in the acquiree is remeasured to fair value with the resulting gain or loss recognised in profit or loss at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the group reports provisional amounts for the items where the accounting is incomplete. Those provisional amounts are adjusted during the measurement period where applicable.

Assets and liabilities acquired in a combination of entities or businesses under common control are accounted for at predecessor carrying values. The excess of the purchase price over the net carrying value of the assets and liabilities acquired, paid by the acquiring entity, are eliminated against the profit on the disposal of the selling entity. Therefore the consolidated financial statements are not affected by business combinations under common control.

## 1 ACCOUNTING POLICIES continued

### 1.5 Foreign currencies

Transactions denominated in a foreign currency are recorded at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks which are recognised in other comprehensive income and accumulated in the hedge accounting reserve in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated into Rand using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the weighted average exchange rates for the period. Exchange differences arising are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity (attributed to non-controlling interests as appropriate).

On disposal of a foreign operation all the exchange differences accumulated in equity in respect of that operation attributable to owners of Imperial are reclassified to profit or loss.

On partial disposal of a foreign entity the group reclassifies to profit or loss any proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income. The group accounts for a repayment of share capital and share premium by a foreign subsidiary as a partial disposal even if there is no change in the ownership interest in terms of the absolute approach.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the rate of exchange prevailing at the end of each reporting period.

### 1.6 Investment in associates

The results, assets and liabilities of entities over which the group exercises significant influence (associates) are incorporated in these consolidated financial statements using the equity method of accounting.

Dividends received from associates are accounted as a deduction to the carrying value of the associate.

Under the equity method, an investment in associate is initially recognised at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate.

The group's share of associates' net income, presented net of tax, is based on financial statements drawn up to reporting dates that are coterminous with that of the group.

Where reporting dates are not coterminous, adjustments are made to the associates' net income for the effects of significant transactions or events that occur after the associates' reporting date and up to the reporting date of the group.

When the group's share of losses of the associate exceeds the group's interest in that associate, the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the group resumes recognising its share of those profits only after its share of profits exceeds the share of losses not recognised previously.

Any excess of the cost of acquisition over the group's share of the fair value of the net identifiable assets of an associate at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the associate.

Upon disposal of an associate that results in the group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as the fair value on initial recognition as a financial asset in accordance with IFRS 9. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When a group entity transacts with an associate of the group, unrealised profits or losses are eliminated to the extent of the group's interest in the relevant associate.

Loans granted to associates are accounted for at amortised cost net of impairments.

### 1.7 Interests in joint ventures

The group's interest in joint ventures is accounted in the same manner as investments in associates described above.

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

**1 ACCOUNTING POLICIES** continued

**1.8 Goodwill**

Goodwill arising on acquisition is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Goodwill is not amortised.

For the purpose of impairment testing, goodwill is allocated to each of the group's CGUs (or groups of CGUs) that are expected to benefit from the synergies of the business combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount (including goodwill), the impairment loss is first allocated to the goodwill and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. For the purpose of the goodwill impairment testing, as the recoverable amount is for the CGU as a whole, the carrying value of goodwill is grossed-up to include the non-controlling interest's share of goodwill.

Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The group's policy for goodwill arising on the acquisition of an associate or joint venture is described under investment in associates.

**1.9 Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives.

Intangible assets with an indeterminate useful life are not amortised but tested for impairment annually.

An intangible asset will be regarded as having an indeterminate life when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

Intangible assets are not revalued. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes accounted for on a prospective basis.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, being the acquisition date fair value, less accumulated amortisation and accumulated impairment losses on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from use or disposal.

Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the intangible asset is derecognised.

**1.10 Impairment of tangible and intangible assets excluding goodwill**

At the end of each reporting period, the group assesses if there is any indication that such assets have suffered an impairment loss.

When it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the CGU to which the asset belongs.

Intangible assets with indeterminate useful lives and intangible assets not ready for their intended use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) 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 (CGU) in prior years.

A reversal of an impairment loss is recognised immediately in profit or loss.

## 1 ACCOUNTING POLICIES continued

### 1.11 Property, plant and equipment and transport fleet

Land is stated at cost less accumulated impairment and is not depreciated.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost less any accumulated depreciation and impairment losses.

All other assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Costs include all costs incurred in bringing the assets to the location and condition for their intended use and include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. Assets that are classified as held for sale are not depreciated.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation commences when the assets are ready for their intended use and are recognised in profit or loss.

Costs include the estimated costs of dismantling and removing the assets and, where appropriate, costs are split into significant components.

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

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

Assets are derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### 1.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimate of the selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Cost is determined as follows:
- Spares and accessories – weighted average cost.
- Fuel, oil and merchandise – first in, first out.
- Fast moving consumer goods – first in, first out.
- Pharmaceuticals – weighted average cost.

Work in progress includes direct costs and a proportion of overheads.

### 1.13 Leases

*The group as lessee*

The group assesses whether a contract is or contains a lease, at inception of the contract. The group recognises a right-of-use asset and a corresponding lease obligation with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low-value assets. With respect to short-term leases and leases of low-value assets, the group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease obligation is initially measured at the present value of the lease payments outstanding at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease obligation comprise the following:
- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be paid by the lessee under residual value guarantees.
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options.
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease obligation is subsequently measured by increasing the carrying amount to reflect interest accrued on the lease obligation (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The group remeasures the lease obligation and makes a corresponding adjustment to the related right-of-use asset, whenever:
- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease obligation is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease obligation is remeasured by discounting the revised lease payments using an unchanged discount rate, unless if the change in lease payments is due to a change in a floating interest rate, in which case a revised discount rate is used.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease obligation is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

## 1 ACCOUNTING POLICIES continued

### 1.13 Leases continued

***The group as lessee*** continued

The right-of-use assets comprise the initial measurement of the corresponding lease obligation, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the group incurs an obligation for costs to dismantle and remove a right-of-use asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter of the lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of the lease.

The group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as detailed in note 7.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease obligation and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in net operating expenses.

For contracts that contain a lease component and one or more additional lease or non-lease components, the group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components.

***The group as lessor***

The group enters into lease agreements as a lessor with respect to some of its properties to the extent that these are not needed for the current operational capacity of the group.

Leases for which the group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the group applies IFRS 15 to allocate the consideration under the contract to each component.

### 1.14 Incentive schemes

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

Equity-settled share-based payments to employees are measured at the fair value of the equity instrument at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

### 1.15 Retirement benefit obligations

***Defined contribution plans***

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

***Defined benefit plans***

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations carried out at the end of each reporting period.

Past-service costs are recognised immediately to the extent that the benefits are vested, otherwise it is amortised on a straight-line basis over the average period until the benefits become vested.

Actuarial gains or losses are recognised immediately in other comprehensive income and accumulated in retained earnings so that the retirement benefit obligation reflects its full value.

## 1 ACCOUNTING POLICIES continued

### 1.16 Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is reviewed at the end of each reporting period and represents the best estimate of the consideration required to settle the obligation, taking into account the risks and uncertainties surrounding it.

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the fair value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reversed when it is no longer probable that an outflow of resources will be required to settle the obligation.

***Dismantling and environmental risk***

The group provides for the dismantling of property, plant and equipment at the end of their useful lives where a contractual requirement exists and for any probable environmental risks.

***Onerous contracts***

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the group has a contract under which the unavoidable cost of meeting the obligation under the contract exceeds the economic benefits expected from the contract.

***Restructuring***

Restructuring provisions are recognised as follows:
- In the case of a sale of an operation only after a binding sale agreement has been concluded.
- Where there is closure or reorganisation a provision is recognised only after a detailed formal plan is adopted and has started being implemented, or announced to those affected.
- A restructuring provision on acquisition of a business is only recognised if there is an obligation at the acquisition date.

Restructuring provisions include only direct expenditures necessarily entailed by the restructuring. Costs associated with the ongoing activities and provisions for future operating losses are excluded.

### 1.17 Income taxes

Income tax expense represents the sum of current tax and deferred tax.

***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in profit or loss because of items of income or expense that are taxable or deductible in other years (temporary differences) and items that are not taxable or deductible.

The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

***Deferred tax***

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the group's consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the tax profit nor accounting profit.

The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the group expects to recover or settle the carrying amount of assets and liabilities.

The carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised.

Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to other comprehensive income and equity, in which case the deferred tax is also taken directly to other comprehensive income and equity.

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

***Dividends tax***

Dividends tax is levied on non-exempt shareholders. The group is responsible for the collection of the dividends tax and payment of the amounts collected to the South African Revenue Service. As this tax is levied on the shareholders and not the company, it does not form part of the tax expense recognised in profit or loss or in other comprehensive income. Dividends are reflected gross of tax.

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

## 1 ACCOUNTING POLICIES continued

### 1.18 Disposal groups held for sale

Disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

This condition is regarded as met only when the disposal is highly probable and the group is available for immediate sale in its present condition.

The assets of the disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell with the exception of financial instruments, employee benefits and income taxes which are measured in terms of IFRS 9, IAS 19 and IAS 12 respectively.

### 1.19 Revenue recognition

The group recognises revenue from contracts with customers as it satisfies a performance obligation by delivering the promised goods or services to the customer. The amount of revenue recognised is the transaction price allocated to that performance obligation that at least compensates the group for the performance completed and to which it is entitled. Performance obligations regarding the group's revenue from freight management and contract logistics are satisfied over time whereas revenue from market access are recognised at a point in time.

A significant portion of the group's revenue is derived from contracts with customers in which the transfer of control coincides with the fulfilment of performance obligations.

The group principally generates revenue from providing freight management (moving products), contract logistics (handling products) and market access (owning products). Market access includes the sale of fast moving consumer goods and pharmaceutical products. Contract logistics include warehouse management, synchronisation management, integrated contract logistics, distribution management and managed services. Freight management consists of transportation via road and rail, river and sea and express freight consolidation.

Included in revenue are net invoiced sales to customers for goods and services, rentals from vehicles for hire and commissions. Where the group acts as an 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.

Revenue is measured based on the fair value of the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control over a product or service to a customer. Cash and settlement discounts, rebates, value added tax and other indirect taxes are excluded from revenue.

Revenue from the rendering of services is measured using the stage of completion method based on the services performed to date as a percentage of the total services to be performed. Revenue from the rendering of services is recognised when the amount of the revenue, the related costs and the stage of completion can be measured reliably.

Transaction price is the amount of consideration to which an entity expects to be entitled to in exchange for transferring the promised goods or services to a customer, excluding amounts collected on behalf of third parties, eg value added tax (VAT). Transaction price is determined after taking into account the impact of the following:

- Variable consideration.
- The existence of significant financing component.
- Non-cash consideration.
- Consideration payable to a customer.

When determining the transaction price, it is assumed that the goods or services will be transferred to the customer as promised in the existing contract and that the contract will not be cancelled, renewed or modified.

Contract costs are capitalised and expensed over the contract period. Capitalised contract costs are amortised on a systematic basis over the customer contract period and included under net operating expenses in profit or loss. In terms of a practical expedient, the group has elected to recognise the incremental costs of obtaining contracts as a net operating expense in profit or loss, when incurred, if the amortisation period of the assets that the group otherwise would have recognised is 12 months or less.

The revenue contracts do not contain significant financing components.

### 1.20 Interest and dividend income

Interest income is accrued on the time basis, by reference to the principal outstanding and 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 group's rights to receive payment have been established.

### 1.21 Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 1 ACCOUNTING POLICIES continued

### 1.22 Earnings per share

***Basic earnings per share***

Basic earnings per share is calculated by dividing net profit attributable to owners of Imperial by the weighted average number of ordinary shares in issue during the year, net of shares repurchased and the group's interest in its own ordinary shares held by an associate.

***Diluted earnings per share***

For diluted earnings per share, the weighted average number of ordinary shares in issue, net of shares repurchased, is adjusted for the dilutive effect of potential ordinary shares under the share incentive schemes and an associates obligation to deliver shares.

Potential ordinary shares are treated as dilutive when their conversion to ordinary shares would decrease basic earnings per share from continuing operations or increase the basic loss per share from continuing operations.

The effect of anti-dilutive potential ordinary shares is excluded from the calculation of diluted earnings per share.

***Headline earnings per share***

The presentation of headline earnings per share is mandated under the JSE Listings Requirements and is calculated in accordance with Circular 1/2019 – Headline Earnings, as issued by the South African Institute of Chartered Accountants.

### 1.23 Share issue costs, shares repurchased and dividend payments

***Share issue costs***

Incremental costs directly attributable to the issue of new shares or the repurchase of existing shares are shown as a deduction, net of applicable tax, in equity. An incremental share issue cost is one which would not have arisen if shares had not been issued or repurchased.

***Shares repurchased***

The purchase by the group of its own equity instruments and held in a subsidiary company results in the recognition of shares repurchased. The consideration paid is deducted from equity. Where shares repurchased are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to owners of Imperial, net of any directly attributable incremental transaction costs and the related tax effects. Shares repurchased by the company and subsequently cancelled are shown as a deduction in retained earnings.

Fair value gains or losses recognised by a subsidiary or an associate of the group in their own accounts, that pertain to the remeasurement of their investments in Imperial shares, are eliminated in full from the consolidated profit or loss and other comprehensive income.

***Dividend payments to owners of Imperial***

Dividend distributions to owners of Imperial are recognised as a liability in the period in which the dividends are approved and declared. Interim and final dividends are accrued when approved by the board of directors.

### 1.24 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments has been identified collectively as the group executive directors.

Segment revenue reflects both sales to external parties and inter-group transactions across segments. Inter-segment revenue is revenue raised by one segment relating to sales to other segments within the group, which is eliminated under head office and eliminations.

### 1.25 Financial instruments

Financial assets and financial liabilities are recognised in the group's consolidated statement of financial position when the group becomes party to the contractual provisions of the instrument.

***Classification***

The group classifies financial assets and financial liabilities into the following categories:
- Amortised cost.
- Fair value through profit or loss.

Classification is based on the contractual cash flow characteristics and the group's business model for managing financial instruments. Derivatives and financial assets designated as, "fair value through profit or loss" are not reclassified out of the fair value through profit or loss category.

***Initial measurement of financial assets and financial liabilities***

Financial assets and financial liabilities are initially recorded at fair value plus, in the case of financial assets and financial liabilities not fair valued through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

## 1 ACCOUNTING POLICIES continued

### 1.25 Financial instruments continued

*Subsequent measurement of financial assets*

Trade receivables, contract assets and lease receivables are measured at an amount of the consideration to which the group expects to be entitled to in exchange for transferring goods or services to a customer. These assets do not contain a significant financing component.

Loans and trade receivables are subsequently measured at amortised cost using the effective interest method, less any credit loss allowance as appropriate.

Investments are subsequently remeasured to fair value. Any unrealised gain or loss is recognised in profit or loss.

Cash resources are carried at amortised cost.

**Subsequent measurement of financial liabilities**

Interest-bearing borrowings, lease obligations and trade payables are subsequently measured at amortised cost using the effective interest method.

The put option liabilities and contingent consideration liabilities (IFRS 3) are fair valued through profit or loss.

**Hedge accounting**

The group enters into forward exchange contracts, cross-currency derivatives and interest-rate swap agreements in order to hedge its exposure to foreign exchange and interest rate risk. The group does not use derivative financial instruments for speculative purposes.

Changes in the fair value of the foreign exchange derivatives is recognised in profit or loss. The effective portion of changes in the fair value of cross-currency derivatives and interest-rate swap instruments is recognised in other comprehensive income and accumulated in the hedge accounting reserve in equity. The gain or loss relating to the ineffective portion on these instruments are recognised immediately in profit or loss.

**Impairment of financial assets not carried at fair value**

The group recognises an allowance for expected credit losses for trade receivables, contract assets, lease receivables and loans receivables. Expected credit losses is the difference between the contractual cash flows due to the group and all the cash flows the group expects to recover from the assets.

A loss allowance is recognised for credit losses expected over the remaining life of credit risk exposure in instances where there has been a significant increase in credit risk since initial recognition of the asset. For exposures for which there has not been a significant increase in risk since initial recognition the allowance is based on credit losses that could result from default events over the subsequent 12-month period.

For trade receivables, the group applies a simplified approach in calculating the expected credit losses. This is aided by a provision matrix that is based on historical credit loss experiences for each past due ageing category, adjusted for forward-looking information.

The group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due and that a financial asset is in default when contractual payments are 90 days past due. However, in certain instances, the group may also consider a significant increase in risk or default where internal or external information indicates that the group is unlikely to recover the outstanding contractual amounts in full, before taking collateral or credit enhancements into account.

Expected credit losses are recognised in a loss allowance account which is separate from the gross contractual amounts receivable. Changes to the loss allowance due to changes in credit risk is recognised in profit or loss. Expected credit losses that materialise are written off against the gross contractual amounts. Gross contractual amounts that were previously written off and subsequently recovered are credited to profit or loss. Receivables are presented on the statement of financial position net of the loss allowance.

**Derecognition**

Financial assets are written off when there is no reasonable expectation of recovering the contractual cash flows.

**Put arrangements over non-controlling interests**

Written put options on the shares of subsidiaries held by non-controlling interests give rise to a financial liability for the present value of the redemption amount. The liability that may become payable under the arrangement is initially recognised at fair value with a corresponding entry directly in equity. Subsequent changes to the fair value of the liability are recognised in profit or loss.

**Cash resources**

Cash resources comprise cash on hand and on-demand deposits, together with short-term, highly liquid investments with a maturity of three months or less from the date of acquisition, that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within the current portion of interest-bearing borrowings on the consolidated statement of financial position.

## 1 ACCOUNTING POLICIES continued

### 1.26 Significant accounting judgements, estimates and assumptions

***Consolidated statement of financial position presentation based on liquidity***

Management believes that the presentation of the statement of financial position on a liquidity basis provides information that is reliable and more relevant compared to a current and non-current presentation. The nature of the group's operations is diverse and as such it becomes more difficult to clearly identify a single operating cycle that would be relevant across all business segments. Maturity profiles of financial assets and liabilities are provided in the notes to the consolidated annual financial statements.

The following is provided on assets and liabilities where further judgement regarding maturity is required:

***Assets***

Assets that the group expects to realise, or intends to sell or consume in its normal operating cycle would include inventory, trade and other receivables, and contract assets. The operating cycles for these assets are generally not more than 12 months.

Other loans receivable mature over periods longer than 12 months and include amounts that are due within one year from the reporting period.

Cash resources are unrestricted.

***Liabilities***

Liabilities that the group expects to settle in its normal operating cycle include trade and other payables and provisions.

Trade and other payables are normally settled within one year from the reporting period, whereas some amounts of provisions mature over periods longer than 12 months.

Other financial liabilities are payable over longer periods but consist of amounts that are due within one year from the reporting period.

***Income taxes***

The group recognises liabilities for anticipated taxes based on estimates. The final tax assessments can be different from these estimates. Such differences will impact the income tax expense and tax assets and liabilities in the period in which such determination is made.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of the tax assets that can be recognised, based on the likely timing and the level of future taxable profits, together with future tax planning. Estimations of future taxable profits are based on forecast cash flows from operations and the application of existing tax laws in the relevant tax jurisdiction.

Tax losses not recorded on the consolidated statement of financial position and carried forward relate to subsidiaries that have a history of losses, tax losses that do not expire, and losses that may not be used to offset taxable income elsewhere in the group. These subsidiaries neither have any taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets (see note 8).

***Revenue recognition***

Performance obligations regarding the group's revenue from freight management and contract logistics are satisfied over time, as the performance obligations are being fulfilled. Where goods are being transported, revenue is recognised based on the distance covered at the date of cut-off as a proportion of the total distance to the destination multiplied by the contract revenue amounts.

Significant judgements made to determine the stage of completion of contracts include:
- Fuel cost inflation where fuel costs are part of the contract price.
- Minimum volume level specifications.

***Fair value measurement of financial instruments***

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in an active market, their fair value is measured using the discounted cash flow (DCF) valuation techniques. The input to these models are taken from observable markets, but where this is not feasible, a degree of judgement is required in establishing fair values. The key assumptions used in the measurement of the put option liabilities and contingent consideration liabilities include the assumed probability of achieving profit targets and discount rates applied. Discount rates are calculated with observable market data. Assumed profitability is based on historical performances adjusted for expected growth.

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

## 1 ACCOUNTING POLICIES continued

### 1.26 Significant accounting judgements, estimates and assumptions continued

***Impairment of non-financial assets***

Impairment exists when the carrying amount of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less cost to sell and its value-in-use. The group determines fair value less cost to sell based on available data from binding sale transactions, conducted at arm's length, for similar assets or observable market prices less incremental cost for disposing of the asset.

The value-in-use calculation is based on the discounted cash flow (DCF) model. The cash flows are derived from five-year budget information and do not include uncommitted restructuring activities or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash flows and the growth rates used for extrapolation purposes. These estimates are most relevant to goodwill and indeterminate useful life intangible assets recognised by the group. The key assumptions used to determine the value-in-use for the different CGUs are disclosed and further explained in note 4.

***Retirement benefit obligations***

The cost of the defined benefit pension plan and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making assumptions that may differ from actual developments in the future. These include the determination of the discount rate, mortality and fluctuation rates and future salary and pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed annually (see note 17).

In determining the appropriate discount rate management considers the interest rates of corporate bonds in currencies consistent with the currencies of the retirement benefit obligations with at least an "AA" rating or above, as set by an internationally acknowledged rating agency, and extrapolates as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality.

The mortality rate is based on publicly available mortality tables for specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

***Provision for expected credit losses***

Provision is made for expected credit losses based on management's estimate of the prospect of recovering the debt. Where management has determined that a debt is no longer recoverable, the amount is written off.

***Put option and contingent consideration liabilities***

The fair value measurement is based on significant inputs that are not observable in the market. Key assumptions used in the valuations include the assumed probability of achieving profit targets and the discount rates applied. The assumed profitabilities were based on historical performances but adjusted for expected growth.

***Leases***

- Options to renew leases and exercise of purchase options

  Leases entered in respect of properties often include options to renew or terminate the lease at the sole discretion of the lessee. Management judgement is exercised with regards to the renewal of the lease term based on anticipated economic incentives from such renewals. Where management believes that the lease will be terminated, the lease term used in the determination of the lease obligation and right-of-use asset is shortened accordingly.

  The probability of exercising any purchase options is included in the measurement of the lease obligation and right-of-use asset if the lessee is reasonably certain of exercising the options.

  To optimise lease costs during the lease term, the group in some instances provides residual value guarantees in relation to transport fleet. The guarantee provided is raised as a liability to the extent that the group anticipates such payments being probable.

- Incremental borrowing rate

  To determine the incremental borrowing rate, the group uses observable market data, for example: JIBAR, EURIBOR, LIBOR rates and adjusts these for conditions specific to the borrowing entity taking into account the lease term, country, currency and security. This process entails a high level of management judgement.

***Discontinued operations***

Judgements relating to the valuation of assets held for sale and closure cost provisions are disclosed in note 13.

## 2 IFRS THAT BECAME EFFECTIVE DURING THE YEAR AND NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE

### 2.1 IFRS and interpretations that became effective during the year

***IFRS 16 – Leases***

IFRS 16, applicable to the group in 2020, introduces a single lease accounting model that requires the group as a lessee to recognise assets and liabilities for all leases with a term longer than 12 months.

The group's previous accounting policy was to expense operating lease payments on a straight-line basis over the lease term. From 1 July 2019 the group recognised right-of-use assets and lease obligations, which represents the group's right to use the underlying leased assets and its obligations to make lease payments, on the statement of financial position. The right-of-use assets are amortised and interest on the lease obligations are expensed, both in profit or loss. The operating lease payments previously expensed in profit or loss and classified as an operating cash flow are now accounted for as settlements of the lease obligations on the statement of cash flows and interest expense in the statement of profit or loss.

In terms of lessor accounting IFRS 16 substantially carries forward the requirements in IAS 17 and accordingly the group continues to account for its leases as operating leases or finance leases. As a result no restatement of previously reported numbers are required.

***IFRIC 23 – Uncertainty over Income Tax Treatments***

This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 – Income Taxes when there is uncertainty over income tax treatments. It requires an entity to recognise and measure tax assets and tax liabilities taking those uncertainties into consideration. In arriving at the amount of the additional tax liability the group calculated the total potential tax outcome, should the uncertainty materialise, and applied a probability percentage to the calculated amount. External tax and legal opinion were taken into account in calculating the potential tax amount and probability percentage.

The group applied IFRS 16 and IFRIC 23 by adjusting the opening balances at 1 July 2018. The impact of the adoption on the financial statements is summarised below. These amounts have been revised from the assessment at 30 June 2019 primarily as a result of certain leases being cancelled or renewed. The 2019 profit or loss was also represented for the classification of the European shipping business as a discontinued operation.

The numbers reported for Motus at 30 June 2018 and for the year ended 30 June 2019 were not restated as the deconsolidation of Motus occurred prior to the adoption of IFRS 16 and IFRIC 23.

| **Statement of financial position** | 2019 Rm | 2018 Rm |
|---|---|---|
| **ASSETS** | | |
| Transport fleet (IFRS 16) | (143) | (139) |
| Right-of-use assets (IFRS 16) | 4 780 | 5 335 |
| Deferred tax assets (IFRS 16) | 159 | 157 |
| Investments and other financial assets (IFRS 16) | 42 | 52 |
| Trade, other receivables and contract assets (IFRS 16) | (43) | (67) |
| **Total assets** | 4 795 | 5 338 |
| **EQUITY** | | |
| Other reserves | (76) | (76) |
| Retained earnings | (397) | (394) |
| **Equity attributable to owners of Imperial** | (473) | (470) |
| Non-controlling interests | (14) | (14) |
| **Total equity** | (487) | (484) |
| **LIABILITIES** | | |
| Interest-bearing borrowings (IFRS 16) | (69) | (82) |
| Lease obligations (IFRS 16) | 5 969 | 5 850 |
| Provisions for liabilities and other charges (IFRS 16) | (670) | |
| Trade and other payables (IFRS 16) | (15) | (13) |
| Current tax liabilities (IFRIC 23) | 67 | 67 |
| **Total liabilities** | 5 282 | 5 822 |
| **Total equity and liabilities** | 4 795 | 5 338 |

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

## 2 IFRS THAT BECAME EFFECTIVE DURING THE YEAR AND NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE continued

### 2.1 IFRS and interpretations that became effective during the year continued

*IFRIC 23 – Uncertainty over Income Tax Treatments* continued

| Statement of profit or loss | IFRS 16 Rm | European shipping business Rm | 2019 Rm |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **Revenue** | | (5 681) | (5 681) |
| Net operating expenses | 1 797 | 4 944 | 6 741 |
| Profit from operations before depreciation and recoupments | 1 797 | (737) | 1 060 |
| Depreciation, amortisation, impairments and recoupments | (1 534) | 386 | (1 148) |
| **Operating profit** | 263 | (351) | (88) |
| Foreign exchange gains | 6 | | 6 |
| Other non-operating items | 5 | (4) | 1 |
| **Profit before net finance costs** | 274 | (355) | (81) |
| Finance cost | (246) | 57 | (189) |
| Finance income | | (1) | (1) |
| **Profit before share of results of associates and joint ventures** | 28 | (299) | (271) |
| Share of results of associates and joint ventures | | (7) | (7) |
| **Profit before tax** | 28 | (306) | (278) |
| Income tax expense | (7) | 92 | 85 |
| **Profit (loss) for the year from continuing operations** | 21 | (214) | (193) |
| **DISCONTINUED OPERATIONS** | (24) | 214 | 190 |
| Net loss from Consumer Packaged Goods (CPG) | (24) | | (24) |
| Net profit from the European shipping business | | 214 | 214 |
| **Net loss for the year** | (3) | | (3) |
| **Net profit (loss) attributable to:** | | | |
| **Owners of Imperial** | (3) | | (3) |
| – Continuing operations | 21 | (202) | (181) |
| – Discontinued operations | (24) | 202 | 178 |
| **Non-controlling interests** | | | |
| – Continuing operations | | (12) | (12) |
| – Discontinued operations | | 12 | 12 |
| **Earnings per share (cents)** | | | |
| **Continuing operations** | | | |
| – Basic | 10 | (104) | (94) |
| – Diluted | 10 | (104) | (94) |
| **Discontinued operations** | | | |
| – Basic | (12) | 104 | 92 |
| – Diluted | (12) | 104 | 92 |
| **Total operations** | | | |
| – Basic | (2) | | (2) |
| – Diluted | (2) | | (2) |
| **Statement of cash flows** | | | |
| **Cash flows from operating activities** | | | |
| Cash generated by operations before movements in net working capital | | | 1 999 |
| Movements in net working capital | | | (4) |
| Cash generated by operations before interest and taxes paid | | | 1 995 |
| Net interest paid | | | (316) |
| | | | 1 679 |
| **Cash flows from investing activities** | | | |
| Net movement in investments, loans and non-current financial instruments | | | 5 |
| | | | 5 |
| **Cash flows from financing activities** | | | |
| Payments of lease obligations | | | (1 684) |
| | | | (1 684) |
| **Net movement in cash resources** | | | |

The impact on profit attributable to non-controlling interests was insignificant.

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## 2 IFRS THAT BECAME EFFECTIVE DURING THE YEAR AND NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE continued

### 2.1 IFRS and interpretations that became effective during the year continued

*Headline Earnings Circular 1/2019*

The group has early adopted Headline Earnings Circular 1/2019 in the current year. The circular was amended to include gains or losses on termination of leases in headline earnings.

### 2.2 New and revised IFRS in issue but not yet effective

There are various amendments and interpretations which have been issued. None of these are expected to have a significant impact on the group.

## 3 PRESENTATION OF DISCONTINUED OPERATIONS AND RESTATEMENT RECONCILIATION TO PRIOR YEAR PROFIT OR LOSS

### 3.1 Presentation of discontinued operations

*Financial statements*

The results of Motus (prior year), CPG and the European shipping business are presented as a single line item in the consolidated statement of profit or loss under discontinued operations. The assets to be recovered through sale are shown under "Assets of disposal groups classified as discontinued operations" on the consolidated statement of financial position. Net working capital on the consolidated statement of financial position include working capital of the CPG discontinued operation that has and will be recovered or settled through the ordinary course of business and not through sale. This working capital has been excluded from the working capital of Logistics South Africa in the financial position segment information and separately reflected in the segment report. The consolidated statement of changes in equity and the consolidated statement of cash flows are shown in total for continuing operations (Imperial Logistics), and discontinued operations. Further disclosure for CPG and the European shipping business are provided in note 13.

*Notes to the financial statements*

Certain notes to the consolidated statement of financial position include movements from the European shipping business in the current and prior year up until the point of reclassification as a discontinued operation. The notes to the consolidated statement of profit or loss relate to continuing operations (Imperial Logistics). The earnings per share note is reconciled in total and distinguishes between continuing and discontinued operations for the per share values. Therefore, to cross-reference certain amounts disclosed in the notes to the consolidated statement of financial position to certain amounts disclosed in the notes to the consolidated statement of profit or loss and to certain amounts disclosed in the notes to the consolidated statement of cash flows, the amounts disclosed in note 13 of the consolidated financial statements should be taken into consideration.

Refer to note 13 of the 30 June 2019 financial statements for disclosures relating to the Motus discontinued operations.

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

| | Goodwill Rm | Customer lists, contracts and networks Rm | Computer software Rm | Other intangibles Rm | Total Rm |
|---|---|---|---|---|---|
| **4 GOODWILL AND INTANGIBLE ASSETS** | | | | | |
| **At 30 June 2020** | | | | | |
| Cost | 7 814 | 4 544 | 900 | 202 | 13 460 |
| Accumulated amortisation and impairment | 2 712 | 2 818 | 689 | 157 | 6 376 |
| | 5 102 | 1 726 | 211 | 45 | 7 084 |
| Net carrying value at beginning of year | 4 910 | 1 425 | 345 | 39 | 6 719 |
| **Movements during the year*** | | | | | |
| Net acquisition of subsidiaries and businesses | 477 | 375 | 3 | | 855 |
| Additions | | | 70 | 9 | 79 |
| Proceeds from disposal | | | (71) | (3) | (74) |
| Loss from disposal | | | (4) | | (4) |
| Impairment charge | (223) | (19) | (102) | | (344) |
| Amortisation | | (374) | (73) | (15) | (462) |
| Currency adjustments | 1 057 | 319 | 52 | 1 | 1 429 |
| Reclassifications from property, plant and equipment | | | (2) | 18 | 16 |
| Reclassified to assets of discontinued operations | (1 119) | | (7) | (4) | (1 130) |
| **Net carrying value at end of year** | 5 102 | 1 726 | 211 | 45 | 7 084 |
| **At 30 June 2019** | | | | | |
| Cost | 7 387 | 3 850 | 859 | 181 | 12 277 |
| Accumulated amortisation and impairment | 2 477 | 2 425 | 514 | 142 | 5 558 |
| | 4 910 | 1 425 | 345 | 39 | 6 719 |
| Net carrying value at beginning of year | 6 221 | 1 813 | 467 | 74 | 8 575 |
| **Movements during the year*** | | | | | |
| Net acquisition of subsidiaries and businesses | 24 | | | 1 | 25 |
| Additions | | 6 | 25 | 64 | 95 |
| Proceeds from disposal | | | (6) | 3 | (3) |
| Loss from disposal | | | (3) | | (3) |
| Impairment charge | (1 139) | | | (6) | (1 145) |
| Impairment of assets of discontinued operation (CPG) | (261) | | (70) | (88) | (419) |
| Amortisation | | (400) | (68) | (9) | (477) |
| Currency adjustments | 65 | 6 | | | 71 |
| **Net carrying value at end of year** | 4 910 | 1 425 | 345 | 39 | 6 719 |

* The above include movements from the discontinued operations up to the point of reclassification to assets held for discontinued operations. The amounts disclosed in the notes to the statement of profit or loss relate to continuing operations only. Refer to note 13 for certain disclosures relating to the discontinued operations.

Intangible assets, other than goodwill and indeterminate life intangibles, are amortised using the straight-line basis over their estimated useful lives between two and 10 years.

Refer to note 37 for details of new business combinations during the year.

An amount of R19 million under customer lists and contracts has been impaired in MDS Logistics arising out of the goodwill impairment testing results which indicated an impairment over and above the goodwill amount being required to be impaired. Further details on the impairment testing are provided under the goodwill impairment testing that follows.

Computer software development of R102 million has been impaired as it became improbable that future economic benefits will flow to the group.

## 4 GOODWILL AND INTANGIBLE ASSETS continued

### Goodwill and indeterminate useful life intangible assets

A summary of the goodwill and indeterminate useful life intangible assets by CGU and related assumptions applied for impairment testing purposes are as follows:

| | | Carrying amount | | Pre-tax discount rate | | Terminal growth rate | |
|---|---|---|---|---|---|---|---|
| **CGUs with significant goodwill** | Functional currency | **2020 Rm** | 2019 Rm | **2020 %** | 2019 % | **2020 %** | 2019 % |
| **Logistics African Regions** | | | | | | | |
| Eco Health Limited | USD | **757** | 615 | **10,8** | 12,8 | **7,0** | 5,3 |
| Imres B.V. | USD | **559** | 460 | **13,1** | 13,1 | **1,2** | 2,6 |
| Surgipharm | KES | **409** | 367 | **18,2** | 20,8 | **5,7** | 6,4 |
| Geka Pharma | NAM | **27** | | **19,4** | | **4,6** | |
| Axis Group | USD | **180** | | **15,6** | | **2,3** | |
| Far East Mercantile | USD | **171** | | **21,8** | | **7,3** | |
| **Logistics International** | | | | | | | |
| Shipping Group (reclassified as held for sale) | EUR | | 923 | | 8,5 | | 0,8 |
| Automotive Group | EUR | **231** | 199 | **9,1** | 9,8 | **0,8** | 0,8 |
| Retail Group | EUR | **66** | 61 | **7,6** | 8,0 | **0,8** | 0,8 |
| Chemicals Group | EUR | **406** | 349 | **8,9** | 9,4 | **0,8** | 0,8 |
| Lubcke Marine | EUR | **45** | 40 | **7,7** | 8,0 | **0,8** | 0,8 |
| Palletways | GBP | **2 201** | 1 846 | **9,6** | 10,2 | **0,8** | 0,8 |
| Significant goodwill | | **5 052** | 4 860 | | | | |
| Other goodwill | | **50** | 50 | | | | |
| **Carrying value of goodwill** | | **5 102** | 4 910 | | | | |
| **Indeterminate useful life intangible assets included in customer lists and contracts** | | | | | | | |
| Palletways | GBP | **376** | 314 | **9,6** | 7,8 | **0,8** | 0,8 |
| **Goodwill and indeterminate useful life intangible assets** | | **5 478** | 5 224 | | | | |

### Goodwill impairment testing

Goodwill is allocated to the appropriate CGUs according to the type of business and where it operates. The CGUs represent the identifiable assets for which an active market exists and which generate independent cash flows.

The carrying amount of goodwill is subject to an impairment test. The impairment tests are carried out on all goodwill and indeterminate life intangible assets within each CGU and was performed in March 2020. As a result of the Covid-19 pandemic the group has reassessed goodwill for impairment at 30 June 2020 by considering information available at 30 June 2020 and after the reporting period. Where necessary the key assumptions were amended to take into account information available at 30 June 2020.

Impairment of goodwill arises when the recoverable amount of the CGU is less than the carrying value including goodwill. For the purpose of the goodwill impairment tests the carrying value of goodwill is grossed-up to include the non-controlling interest. The recoverable amount is determined as the greater of the fair value less costs to sell or the value-in-use. In most instances it is inappropriate to use the fair value less costs to sell as no reliable estimate is easily obtainable in determining the recoverable amount. Therefore the value-in-use method is used to assess the goodwill for impairment.

### Key assumptions used in value-in-use calculations

*Cash flow projections in functional currency*

The value-in-use is calculated using the forecast cash inflows and outflows which are expected to be derived from continuing use of the CGU and its ultimate disposal. Cash flow projections for financial forecasts are based on past experience, expected revenue, operating margins, working capital requirements and capital expenditure, based on approved budgeted financial information as well as available external market data.

The expected revenues are based on market share assumptions, volume growth and price increases. No significant change in market share was assumed during the forecast period of five years and is based on the average market share in the period immediately before the forecast period. Volume growth was based on average growth experienced in recent years but adjusted for the expected impact of Covid-19 during the forecast period. The exchange rates used in the cash flow projections were consistent with external sources of information.

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

## 4 GOODWILL AND INTANGIBLE ASSETS continued

### Goodwill and indeterminate useful life intangible assets continued

#### Key assumptions used in value-in-use calculations continued

***Cash flow projections in functional currency*** *continued*

Operating margins reflect past experience but are adjusted for any expected changes for the individual CGU.

Cash flow projections cover a five-year forecast period, which are then extrapolated into perpetuity using applicable terminal growth rates.

**The key assumptions used in arriving at projected cash flows were as follows:**

- Logistics South Africa – market share assumptions and operating margins.
- Logistics African Regions – market share assumptions and operating margins.
- Logistics International – market share assumptions and operating margins.

***Growth rates***

Growth rates applied are determined based on future trends within the industry, geographic location and past experience within the operating divisions. Growth rates can fluctuate from year to year based on the assumptions used to determine these rates.

The group used steady growth rates to extrapolate revenues beyond the forecast period, which were consistent with publicly available information relating to long-term average growth rates for each of the markets in which the respective CGUs operate. These long-term forecast growth rates have been affected by macroeconomic factors, which has resulted in the rates reducing compared to the prior year.

***Discount rates applied***

A key assumption in the impairment assessment is the discount rate. The discount rates were determined by an expert independent from the group and present the current market assessment of the risks for each CGU. The rates take into consideration the time value of money and the individual risks of the underlying assets that have not been taken into account in the cash flow projections. The discount rate calculations are derived from the CGUs weighted average cost of capital being the cost of debt and the cost of equity. The increased uncertainties arising from the pandemic led to a decision to use the most recent market data, including country risk premiums. Additional specific risk premiums attributable to the Covid-19 pandemic were not added to the cost of capital, instead the impact of the pandemic was considered in the cash flow projections.

The cost of equity was arrived at by using the capital asset pricing model (CAPM) which, where necessary, takes into account an equity risk premium, country risk premiums and a small stock premium. The CAPM uses market betas of comparable entities in arriving at the cost of equity. In some markets, equity risk premiums have increased slightly primarily due to higher country risk premiums. The cost of debt is based on the cost of interest-bearing borrowings and lease obligations the CGU has to service.

The debt-to-equity ratio applied at arriving at the weighted average cost of capital was determined by applying market value weights based on theoretical target gearing levels, giving consideration to industry averages and using data of comparable entities. The inclusion of lease obligations into cost of debt has increased the debt weighting in the cost of capital. Despite an increase in the cost of equity, the lower cost of debt and the increased weight of debt resulted in a small reduction in discount rates applied.

Given the volatility within financial markets, there is a risk that a prolonged pandemic could lead to increased discount rates. However, after witnessing an improvement in trading conditions after the reporting period the group believes that the key assumptions used in the goodwill impairment test, as disclosed above, remains appropriate.

## 4 GOODWILL AND INTANGIBLE ASSETS continued

### Goodwill and indeterminate useful life intangible assets continued

### Change in key assumptions and conclusion

For each of the remaining goodwill, a sensitivity analysis was performed on reasonably possible changes to the discount rates, terminal growth rates and cash flows, leaving all other assumptions unchanged. Due to the increased uncertainty following the Covid-19 outbreak, management has increased the range of reasonably possible changes to the discount rates (Africa +100 basis points, International +50 basis points), terminal growth rates (-50 basis points) and cash flows growth (decrease by 5%).

The results indicated that sufficient headroom (value-in-use over the carrying value) for each of the CGUs existed to absorb a reasonable change in either the discount rate, terminal growth rate or the cash flows or a combination thereof except in the case of the CGUs listed below.

| | CGU | |
|---|---|---|
| | **Surgipharm** | **Far East** |
| Carrying value of goodwill (Rm) | **409** | **171** |
| **Sensitivities – impairment required** | | |
| – 100 basis point increase in pre-tax discount rate (Rm) | **(64)** | **(32)** |
| – 50 basis point decrease in terminal growth rates (Rm) | **(14)** | **(8)** |
| – 5% decrease in cash flows (Rm) | **(54)** | **(22)** |
| **Breakeven rates** | | |
| Existing pre-tax discount rate (%) | **18,2** | **21,8** |
| Breakeven pre-tax discount rate (%) | **18,2** | **22,2** |
| Existing terminal growth rate (%) | **5,7** | **7,3** |
| Breakeven terminal growth rate (%) | **5,7** | **6,7** |

The table above is provided for CGUs that showed little or no headroom. Due to the sensitivity of the key assumptions used for the above CGUs it is probable that future impairment tests could result in further goodwill impairments.

Except for the Surgipharm and Far East CGUs, the board of directors believes that any reasonable possible change in the key assumptions used would not result in goodwill impairments.

### Impairment of goodwill

The impairment charge is included within "Other non-operating items" in the consolidated statement of profit or loss. It is excluded from the segment results disclosed in the segment profit or loss report. Goodwill impairment by segment is disclosed on the segment profit or loss. Goodwill of R53 million was raised for MDS Logistics during the year, and as a result of the goodwill impairment testing was fully impaired by year-end.

The significant goodwill impairments by CGU were as follows:

| | Goodwill impaired | Discount rate | | Growth rate | | |
|---|---|---|---|---|---|---|
| | **2020 Rm** | **2020 %** | 2019 % | **2020 %** | 2019 % | Reason for the impairments |
| MDS Logistics | **53** | **27,7** | | **12,7** | | High discount rate, lower projected cash flows |
| Surgipharm | **42** | **18,2** | 20,8 | **5,7** | 6,4 | Lower terminal growth rates, sluggish economy and declining pharma market, lost margin due to effect of parallel trade and increasing competition in the tender business |
| Far East | **128** | **21,8** | | **7,3** | | High discount rate, lower projected cash flows |
| | **223** | | | | | |

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

| | Land, buildings and leasehold improvements Rm | Equipment and furniture Rm | Motor vehicles Rm | Total Rm |
|---|---|---|---|---|
| **5 PROPERTY, PLANT AND EQUIPMENT** | | | | |
| **At 30 June 2020** | | | | |
| Cost | **3 741** | **3 155** | **413** | **7 309** |
| Accumulated depreciation and impairment | **1 447** | **2 267** | **269** | **3 983** |
| | **2 294** | **888** | **144** | **3 326** |
| Net carrying value at beginning of year | **1 739** | **789** | **119** | **2 647** |
| **Movements during the year*** | | | | |
| Net acquisition of subsidiaries and businesses | **456** | **14** | **12** | **482** |
| Additions | **111** | **253** | **122** | **486** |
| Proceeds from disposal | **(61)** | **45** | **(9)** | **(25)** |
| Depreciation | **(89)** | **(272)** | **(50)** | **(411)** |
| Impairment charge | **(77)** | | | **(77)** |
| Profit from disposal | **23** | **(5)** | **(2)** | **16** |
| Currency adjustments | **240** | **117** | **19** | **376** |
| Reclassifications | **9** | **(16)** | **(67)** | **(74)** |
| Reclassified to assets of discontinued operations and disposal group | **(57)** | **(37)** | | **(94)** |
| **Net carrying value at end of year** | **2 294** | **888** | **144** | **3 326** |
| **At 30 June 2019** | | | | |
| Cost | 2 833 | 2 617 | 314 | 5 764 |
| Accumulated depreciation and impairment | 1 094 | 1 828 | 195 | 3 117 |
| | 1 739 | 789 | 119 | 2 647 |
| Net carrying value at beginning of year | 1 781 | 1 091 | 170 | 3 042 |
| **Movements during the year*** | | | | |
| Net disposal of subsidiaries and businesses | (11) | | | (11) |
| Additions | 168 | 273 | 25 | 466 |
| Proceeds from disposal | (183) | (10) | (11) | (204) |
| Depreciation | (86) | (287) | (44) | (417) |
| Impairment charge | (16) | | | (16) |
| Profit from disposal | 10 | (3) | | 7 |
| Currency adjustments | 7 | 3 | 5 | 15 |
| Inter-group profit eliminations reversed with the unbundling of Motus | 208 | 1 | 2 | 211 |
| Reclassified to transport fleet | | | (28) | (28) |
| Impairment of CPG discontinued operations | (14) | (264) | | (278) |
| Reclassified to assets of discontinued operations | (125) | (15) | | (140) |
| **Net carrying value at end of year** | 1 739 | 789 | 119 | 2 647 |

* The above include movements from the discontinued operations up to the point of reclassification to assets of discontinued operations. The amounts disclosed in the notes to the statement of profit or loss relate to continuing operations only. Refer to note 13 for certain disclosures relating to the discontinued operations.

Depreciation is calculated on a 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

No depreciation is processed where the residual value of the assets exceeds the carrying amount.

At 30 June 2020 certain property, plant and equipment were encumbered as security for interest-bearing borrowings amounting to R63 million (2019: R75 million), refer to note 18.

| | | 2020 Rm | 2019~ Rm |
|---|---|---|---|
| 6 | **TRANSPORT FLEET** | | |
| | Cost | 8 551 | 10 607 |
| | Accumulated depreciation and impairment | 3 365 | 5 298 |
| | | 5 186 | 5 309 |
| | Net carrying value at beginning of year | 5 309 | 5 219 |
| | **Movements during the year*** | | |
| | Net acquisition (disposal) of subsidiaries and businesses | 80 | (3) |
| | Additions | 1 409 | 1 030 |
| | Proceeds from disposal | (252) | (294) |
| | Depreciation | (639) | (651) |
| | Profit from disposal | 38 | 40 |
| | Currency adjustments | 651 | 47 |
| | Inter-group profit eliminations reversed with the unbundling of Motus | | 33 |
| | Impairment charge | (12) | |
| | Reclassified from property, plant and equipment | 67 | 28 |
| | Reclassified to assets of discontinued operations | (1 465) | (140) |
| | **Net carrying value at end of year** | 5 186 | 5 309 |

* The above include movements from the discontinued operations up to the point of reclassification to assets of discontinued operations. The amounts disclosed in the notes to the statement of profit or loss relate to continuing operations only. Refer to note 13 for certain disclosures relating to the discontinued operations.

~ Restated for the adoption of IFRS 16 – Leases (refer to note 2).

The impairment of R12 million resulted from the reduction in the fair value of transport fleet as a consequence of the economic slowdown.

Depreciation is calculated on a straight-line basis to write off the cost of each component of the transport fleet to its residual value over its estimated useful life between three and 12 years.

Certain transport fleets have been encumbered as security for interest-bearing borrowings amounting to R199 million (2019: R160 million), refer to note 18.

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

| | | Land and buildings Rm | Equipment and machinery Rm | Transport fleet Rm | Motor vehicles Rm | Total Rm |
|---|---|---|---|---|---|---|
| 7 | **RIGHT-OF-USE ASSETS** | | | | | |
| | **At 30 June 2020** | | | | | |
| | Cost | **8 366** | **951** | **1 899** | **208** | **11 424** |
| | Accumulated depreciation and impairment | **4 539** | **485** | **898** | **80** | **6 002** |
| | | **3 827** | **466** | **1 001** | **128** | **5 422** |
| | Net carrying value at beginning of year | **2 719** | **558** | **1 436** | **67** | **4 780** |
| | **Movements during the year*** | | | | | |
| | Net acquisition (disposal) of subsidiaries and businesses | **97** | | **(12)** | | **85** |
| | Additions | **1 874** | **54** | **485** | **123** | **2 536** |
| | Depreciation | **(1 165)** | **(218)** | **(409)** | **(60)** | **(1 852)** |
| | Impairment charge | **(140)** | | | | **(140)** |
| | Currency adjustments | **464** | **73** | **248** | **14** | **799** |
| | Remeasurement in terms of IFRS 5 | **(1)** | | | | **(1)** |
| | Reclassified to assets of discontinued operations | **(21)** | **(1)** | **(747)** | **(16)** | **(785)** |
| | **Net carrying value at end of year** | **3 827** | **466** | **1 001** | **128** | **5 422** |
| | **At 30 June 2019** | | | | | |
| | Cost | 6 324 | 917 | 2 964 | 153 | 10 358 |
| | Accumulated depreciation and impairment | 3 605 | 359 | 1 528 | 86 | 5 578 |
| | | 2 719 | 558 | 1 436 | 67 | 4 780 |
| | Net carrying value at beginning of year | 3 306 | 440 | 1 510 | 79 | 5 335 |
| | **Movements during the year** | | | | | |
| | Additions | 905 | 319 | 564 | 34 | 1 822 |
| | Depreciation | (835) | (208) | (631) | (47) | (1 721) |
| | Impairment charge | (670) | | | | (670) |
| | Currency adjustments | 13 | 7 | (7) | 1 | 14 |
| | **Net carrying value at end of year** | 2 719 | 558 | 1 436 | 67 | 4 780 |

* The above include movements from the discontinued operations up to the point of reclassification to assets of discontinued operations. The amounts disclosed in the notes to the statement of profit or loss relate to continuing operations only. Refer to note 13 for certain disclosures relating to the discontinued operations.

All right-of-use assets are encumbered as security for respective lease obligations. The maturity profile of the lease obligations and details about encumbered assets is presented in note 19. The weighted average remaining lease term of all leases is 4,9 years (2019: 5,2 years).

Most lease contracts are concluded for fixed periods but in some instances, lease agreements include options to renew. When the exercise of renewal options are considered probable, usually where there is an economic incentive to exercise the option, the lease term will include the period of the option.

Lease obligations do not impose any covenants on the group and the right-of-use assets are not provided as security for the group's interest-bearing borrowings.

Potential future increases in variable lease payments based on an index or rate are included in the lease obligation when they become effective. Amendments to lease payments which are based on an index or a rate are adjusted to the lease obligation and the right-of-use assets.

The group has determined a materiality level of R100 000 above which right-of-use assets and lease obligations are raised.

The group was in some instances given rent concessions as a result of Covid-19. Some of these concessions included rent free periods as well as an adjustment to the lease term. Such lease amendments which are a direct consequence of Covid-19 were accounted for as lease modifications. No other significant changes were experienced by the group as a result of the pandemic.

| | 2020 Rm | 2019~ Rm |
|---|---|---|
| **8 DEFERRED TAX** | | |
| **Movement of deferred tax*** | | |
| Net carrying value at beginning of year | **(418)** | 197 |
| Charged to profit or loss | | |
| – Current year | **(429)** | (157) |
| – Prior year under (over) provisions | **1** | (5) |
| – Impairment reversal | | (21) |
| – Capital gains tax | | (457) |
| Recognised in other comprehensive income | **(45)** | (77) |
| Net acquisitions of subsidiaries and businesses | **227** | 110 |
| Currency adjustments | **43** | (8) |
| Reclassified to assets of discontinued operations | **12** | |
| **Net asset at end of year** | **(609)** | (418) |

* The above includes movements from the discontinued operations up to the point of reclassification to assets of disposal groups. The amounts disclosed in the notes to the statement of profit or loss relate to continued operations only. Refer to note 13 for certain disclosures relating to discontinued operations.

| **Analysis of deferred tax (asset) liability** | 2020 Rm | 2019~ Rm |
|---|---|---|
| – Intangible assets | **256** | 350 |
| – Property, plant and equipment | **211** | 23 |
| – Transport fleet | **494** | 627 |
| – Lease obligations | **(201)** | (159) |
| – Provisions and other payables | **(194)** | (630) |
| – Retirement benefit obligations | **(181)** | (228) |
| – Other non-current financial liabilities | **(71)** | (70) |
| – Assessed tax losses | **(756)** | (294) |
| – Other | **(167)** | (37) |
| | **(609)** | (418) |
| **Net deferred tax comprises:** | | |
| Deferred tax assets | **(1 510)** | (1 227) |
| Deferred tax liabilities | **901** | 809 |
| | **(609)** | (418) |
| **Unrecognised tax losses** | | |
| Unused tax losses available to offset against future profits | **(3 116)** | (1 472) |
| Unused tax losses applied to raise deferred tax assets | **2 465** | 1 129 |
| **Remaining tax losses not recognised** | **(651)** | (343) |

~ Restated for the adoption of IFRS 16 – Leases (refer to note 2).

Where, based on approved projections, entities within the group are expecting to generate future taxable profits and have a high prospect of utilising any assessed losses in the future, deferred tax assets are recognised. If it is not probable that future taxable profits will be available against which the group can utilise the calculated tax losses or deferred tax assets such tax losses or such deferred tax assets are not recognised or is impaired, as the case may be. The recoverability of deferred tax asset assessments are performed annually, for all legal entities taking into account the relevant tax legislation that applies to the individual entities.

The profitability projections are based on the entity's recent financial performance adjusted for any expected future growth, be it positive or negative growth. Assumptions used in the projections are entity and country specific. These forecasts are consistent with those prepared and used internally for business planning and impairment testing purposes. Following these projections, it was determined that there would be sufficient taxable income generated to realise the benefit of the deferred tax assets and assessed tax losses and that no reasonably possible change in any of the key assumptions would result in a material reduction in forecast headroom of tax profits.

In jurisdictions where the assessed losses expire after a stipulated period, the deferred tax assets raised on these losses are derecognised when utilisation of such losses is considered improbable. An insignificant amount of assessed losses are subject to expiry dates.

Management considered the impact of the Covid-19 pandemic on the recoverability of deferred tax assets and concluded that the pandemic did not reduce the probability of sufficient future taxable profits, hence no significant impairments were recorded as a direct consequence of the pandemic. In arriving at this conclusion a key assumption applied was that the impact of the pandemic would be temporary and that there would be economic recovery in the foreseeable future.

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

| | | 2020 Rm | 2019~ Rm |
|---|---|---|---|
| **9** | **INVESTMENTS AND OTHER FINANCIAL ASSETS** | | |
| | Listed investments (level 1 in the fair value hierarchy) | 2 | 19 |
| | Loans and receivables – at amortised cost | 269 | 206 |
| | | 271 | 225 |
| | **Effective interest rates (%)** | 1,5 – 15,0 | 1,5 – 15,0 |

~ Restated for the adoption of IFRS 16 – Leases (refer to note 2).

For further disclosures refer to note 35.

| | | 2020 Rm | 2019~ Rm |
|---|---|---|---|
| **10** | **INVENTORIES** | | |
| | Pharmaceutical goods | 1 791 | 1 673 |
| | Fast moving consumer goods | 627 | 414 |
| | Spares, accessories and finished goods | 227 | 193 |
| | Fuel and oil | 31 | 69 |
| | **Net carrying value at end of year** | 2 676 | 2 349 |
| | Net amount of inventory write-down expensed in profit or loss | 12 | 19 |

The inventory provisioning was not significantly impacted by economic restrictions resulting from the Covid-19 pandemic as pharmaceutical and fast moving consumer goods continued to be distributed during the lockdown periods.

Inventories amounting to R286 million (2019: R235 million) have been encumbered as security for interest-bearing borrowings, refer to note 18.

| | | 2020 Rm | 2019~ Rm |
|---|---|---|---|
| **11** | **TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS** | | |
| **11.1** | **Trade and other receivables** | | |
| | Trade and lease receivables | 5 933 | 8 018 |
| | – Gross receivables | 6 367 | 8 383 |
| | – Expected credit loss allowance | (434) | (365) |
| | Other receivables | 1 426 | 1 188 |
| | Derivative financial instruments (level 2 in the fair value hierarchy) | 10 | 2 |
| | | 7 369 | 9 208 |

~ Restated for the adoption of IFRS 16 – Leases (refer to note 2).

At 30 June 2020 certain trade receivables have been encumbered as security for interest-bearing borrowings amounting to R226 million (2019: R284 million), refer to note 18. Refer to note 35 for further details on trade receivables and derivative financial instruments.

| | | 2020 Rm | 2019~ Rm |
|---|---|---|---|
| **11. 2** | **Contract assets** | | |
| | The group has recognised the following assets related to contracts with customers: | | |
| | Contract assets | 565 | 875 |

Contract assets consist of services not invoiced. No loss provision has been raised on the contract assets until performance conditions have been met in full and invoicing had taken place. There are currently no long-term contract costs that have been capitalised, as contracts are less than 12 months. The expected credit risk on contract assets are insignificant, hence no credit risk provisioning has been made.

| | | 2020 Rm | 2019~ Rm |
|---|---|---|---|
| **12** | **CASH RESOURCES** | | |
| | Deposits and funds on call | 887 | 998 |
| | Cash on hand and at bank | 2 487 | 648 |
| | | 3 374 | 1 646 |
| | **Effective interest rates (%)** | 0 – 3,25 | 0 – 6,25 |

Due to the recent economic slowdown, the South African Reserve Bank had to lower the interest rates.

## 13 DISCONTINUED OPERATIONS AND DISPOSAL GROUP

### 13.1 Discontinued operations

***European shipping business*** *(previously included in the Logistics International segment)*

The European shipping business is the largest inland navigation operator in Europe, active in the most important river basins and inland waterways. The business has a large and sophisticated fleet of leased and chartered vessels and moves approximately 45 million tonnes of diversified products annually.

As a major line of business, the European shipping business was classified as a discontinued operation at 30 June 2020. The sale was concluded on 31 July 2020 after receipt of the cash proceeds of approximately R3 440 million (€171 million).

***Consumer Packaged Goods*** *(previously included in the Logistics South Africa segment)*

The group's CPG business was classified as a discontinued operation at 30 June 2019. The group is in the process of finalising the closure.

The results of the European shipping business and the CPG business were as follows:

| | CPG 2020 Rm | Shipping 2020 Rm | CPG 2019~ Rm | Shipping 2019 Rm |
|---|---|---|---|---|
| **Revenue** | 693 | 4 732 | 2 498 | 5 681 |
| Net operating expenses | (1 072) | (3 991) | (2 704) | (4 944) |
| Profit from operations before depreciation and recoupments | (379) | 741 | (206) | 737 |
| Depreciation, amortisation, impairments and recoupments | (24) | (410) | (255) | (386) |
| **Operating profit (loss)** | (403) | 331 | (461) | 351 |
| Net finance cost | (119) | (55) | (176) | (56) |
| Other non-operating items | 82 | 7 | | 11 |
| **Profit (loss) before tax from operations** | (440) | 283 | (637) | 306 |
| Income tax attributed to operations | 135 | (81) | 153 | (92) |
| **Net profit (loss) for the year from operations** | (305) | 202 | (484) | 214 |
| **Net loss on discontinuance** | | (241) | (1 439) | |
| Gross loss on discontinuance | | (240) | (1 889) | |
| Income tax expense attributed to the loss on discontinuance | | (1) | 450 | |
| **Net profit (loss) for the year** | (305) | (39) | (1 923) | 214 |

~ Restated for the adoption of IFRS 16 – Leases (refer to note 2).

The assets classified as a discontinued operation at 30 June 2020 for the CPG operations consists of mainly property, plant and equipment and fleet amount to R138 million (2019: R296 million).

The major classes of assets and liabilities of the European shipping business at 30 June 2020 were as follows:

| | 2020 Rm |
|---|---|
| **ASSETS** | |
| Goodwill and intangible assets | 1 130 |
| Property, plant and equipment and transport fleet | 1 494 |
| Right-of-use assets | 785 |
| Trade, other receivables and contract assets | 808 |
| Cash resources | 190 |
| Income tax assets | 101 |
| Investment in associates and other financial assets | 55 |
| Inventories | 25 |
| **Total assets** | 4 588 |
| **LIABILITIES** | |
| Lease obligations | 711 |
| Retirement benefit obligations | 624 |
| Trade, other payables and provisions | 681 |
| Interest-bearing borrowings | 66 |
| Income tax liabilities | 105 |
| **Total liabilities** | 2 187 |

The European shipping business CGU was assessed for impairment at 30 June 2020. Based on the assessment there was no impairment required.

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

## 13 DISCONTINUED OPERATIONS AND DISPOSAL GROUP continued

### 13.1 Discontinued operations continued

#### 13.1.1 The cash flows for the discontinued operations for the year were as follows:

| | CPG Rm | Shipping Rm | 2020 Rm | 2019 Rm |
|---|---|---|---|---|
| Operating activities | **(411)** | **746** | **335** | (1 254) |
| Investing activities | **4** | **(369)** | **(365)** | (522) |
| Financing activities | **407** | **(228)** | **179** | 218 |

### 13.2 Disposal group

*Pharmed Group (previously included in the Logistics South Africa segment)*

The assets and associated liabilities of Pharmed, a 62,5% held subsidiary of ILSA Holdings, was classified as held for sale at 30 June 2020.

Pharmed with its high-cost base and limited scale has become increasingly uncompetitive and continued to underperform. Despite numerous management efforts and initiatives undertaken over the past months to return the business to profitability, it is evident that the business would be better placed to grow in the hands of a new owner where closer alignment of strategic focus and capital allocation capabilities will enable the required growth. Accordingly Imperial has reached an agreement for the disposal of its 65% interest in Pharmed on 30 June 2020. The sale is subject to regulatory approval.

The assets held for sale at 30 June 2020 consisted of inventories of R247 million, trade receivables of R281 million, property of R48 million and cash resources of R22 million. The liabilities consisted of trade payables and provisions of R356 million.

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **14 SHARE CAPITAL AND SHARE PREMIUM** | | |
| **Authorised share capital** | | |
| 394 999 000 (2019: 394 999 000) ordinary shares of 4 cents each | **15** | 15 |
| 50 000 000 (2019: 50 000 000) deferred ordinary shares of 4 cents each | **2** | 2 |
| 15 000 000 (2019: 15 000 000) preferred ordinary shares of 4 cents each | **1** | 1 |
| 1 000 (2019: 1 000) redeemable preference shares of 4 cents each | | |
| 40 000 000 (2019: 40 000 000) non-redeemable, non-participating preference shares of 4 cents each | **2** | 2 |
| | **20** | 20 |
| **Issued and fully paid share capital~** | | |
| 202 074 388 (2019: 201 242 919) ordinary shares of 4 cents each | **8** | 8 |
| 6 036 422 (2019: 6 867 891) deferred ordinary shares of 4 cents each | **1** | 1 |
| Share capital | **9** | 9 |
| Share premium | **1 021** | 1 021 |
| **Share capital and premium** | **1 030** | 1 030 |

~ For movements in the number of issued shares refer to the directors' report on page 14.

**Directors' authority to issue authorised share capital**

The directors have been given general authority until the next annual general meeting to issue not more than 5% of the issued ordinary share capital at 30 June 2019 and not more than 5 million of the non-redeemable, non-participating preference shares.

**Ordinary shares**

The ordinary shares carry one vote per share and are entitled to an ordinary dividend.

**Deferred ordinary shares**

The deferred ordinary shares were issued to Ukhamba, the group's BBBEE partner. The shares convert into ordinary shares annually at a fixed rate of 831 469 shares. At 30 June 2020, 16 718 967 (2019: 15 887 498) deferred ordinary shares have been converted into the same number of ordinary shares. The last conversion will be on 30 June 2025. These shares carry one vote per share and are not entitled to dividends.

**Directors' interests in issued share capital**

The aggregate shareholdings of the directors in the issued ordinary share capital of the company are outlined in note 39.2.

| | | Number of shares | Rm |
|---|---|---|---|
| 15 | **SHARES REPURCHASED** | | |
| | Shares repurchased, at 30 June 2020, consist of 8 592 791 ordinary shares held by an entity controlled by the company. The movement in the shares repurchased were as follows: | | |
| | **At 30 June 2018** | 3 185 335 | (560) |
| | Repurchase of 4 085 044 ordinary shares at R64 each | 4 085 044 | (262) |
| | 796 044 ordinary shares delivered to settle obligations in respect of share schemes | (796 044) | 136 |
| | Cancellation of 1 560 000 ordinary shares | (1 560 000) | 100 |
| | **At 30 June 2019** | 4 914 335 | (586) |
| | Repurchase of 4 037 273 ordinary shares at R55,84 each | **4 037 273** | **(225)** |
| | 358 817 ordinary shares delivered to settle obligations in respect of share schemes | **(358 817)** | **22** |
| | **At 30 June 2020** | **8 592 791** | **(789)** |

Repurchases were done at the market price on the day of the transaction.

| | | 2020 Rm | 2019~ Rm |
|---|---|---|---|
| 16 | **OTHER RESERVES** | | |
| | Foreign currency translation reserve (refer to note 16.1) | **2 752** | 1 879 |
| | Share-based payment reserve (refer to note 16.2) | **(73)** | (77) |
| | Hedge accounting reserve | **(69)** | (40) |
| | Statutory reserve | **54** | 57 |
| | Premium paid on purchase of non-controlling interests (refer to note 16.3) | **(1 267)** | (1 058) |
| | | **1 397** | 761 |
| | For movements in other reserves, see consolidated statement of changes in equity on page 20. | | |
| 16.1 | **Foreign currency translation reserve** | | |
| | Balance at beginning of year | **1 879** | 1 372 |
| | Goodwill and intangible assets | **1 429** | 71 |
| | Investments, loans, other financial assets, associates and joint ventures | **93** | 51 |
| | Property, plant and equipment | **376** | 15 |
| | Transport fleet | **651** | 47 |
| | Right-of-use assets | **799** | 14 |
| | Deferred tax | **(43)** | 8 |
| | Inventories | **315** | (23) |
| | Current tax | **(43)** | (1) |
| | Trade, other receivables and contract assets | **1 236** | (14) |
| | Cash resources | **279** | 44 |
| | Non-controlling interests | **(131)** | (8) |
| | Retirement benefit obligations | **(290)** | (2) |
| | Lease obligations | **(792)** | (10) |
| | Interest-bearing borrowings | **(1 613)** | (45) |
| | Other financial liabilities | **(307)** | (27) |
| | Provisions for liabilities and charges | **(44)** | (3) |
| | Trade and other payables | **(1 042)** | 38 |
| | Translation of assets held for distribution to owners of Imperial and associated liabilities | | 51 |
| | Realisation on unbundling of Motus | | 301 |
| | **Balance at end of year** | **2 752** | 1 879 |

~ Restated for the adoption of IFRS 16 – Leases (refer to note 2).

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

## 16 OTHER RESERVES continued

### 16.2 Share-based payment reserve

*Share schemes granted before the unbundling of Motus*

The group unbundled its Motus operation on 22 November 2018. The unbundling of Motus had the following impact on share schemes:

The deferred bonus plans (DBPs) granted before the unbundling date will be settled in both Imperial and Motus shares. For every right granted the participants will receive both an Imperial share and a Motus share.

The share appreciation rights (SARs) granted before the unbundling date will be settled in Imperial shares only. Performance conditions will be based on the combined values of both Imperial and Motus. The value created that needs to be settled in shares will compare the combined share prices of Imperial and Motus to the original strike price. This therefore amounts to a modification to the scheme. The fair value of the scheme before the unbundling of Motus was compared to the fair value of the scheme post the unbundling of Motus and the incremental fair value granted was negligible. The fair value was determined using the same valuation model as the original grant.

The following details apply to the group's share schemes:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Share appreciation rights scheme** | **Number of rights** | **Weighted average exercise price Rand** | Number of rights | Weighted average exercise price Rand |
| Rights granted at beginning of year | 13 565 206 | 106,05 | 15 245 123 | 152,52 |
| Rights allocated during the year | 5 050 427 | 52,02 | 7 438 383 | 65,09 |
| Rights exercised during the year | (601) | 52,02 | (162 104) | 136,85 |
| Rights forfeited during the year | (2 866 166) | 108,43 | (1 763 102) | 123,74 |
| Motus unbundling^ | | | (7 193 094) | 153,11 |
| **Unexercised rights at end of year** | **15 748 866** | **88,29** | 13 565 206 | 106,05 |

^ Relate to rights issued to employees of Motus and were therefore reduced when Motus was unbundled.

Selected participants receive annual grants of SARs, which are conditional rights to receive Imperial shares equal to the difference between the exercise price and the grant price. Vesting of rights is subject to performance conditions being met and that participants remain employed within the group during the vesting period.

| **Share appreciation rights scheme – details of rights by year of grant** | **Number of rights** | **Average exercise price Rand** | **Expiry date** |
|---|---|---|---|
| **Grant date** | | | |
| June 2014 | 150 926 | 193,77 | June 2021 |
| June 2015 | 899 781 | 174,65 | June 2022 |
| June 2016 | 1 855 089 | 127,77 | June 2021 |
| June 2017 | 2 203 407 | 152,65 | June 2022 |
| June 2019 | 5 908 448 | 65,09 | June 2023 |
| June 2020 | 4 731 215 | 52,02 | June 2024 |
| **Total unexercised rights at end of year** | **15 748 866** | **88,29** | |

## 16 OTHER RESERVES continued

### 16.2 Share-based payment reserve continued

| Deferred bonus plan – details of rights taken up and not vested | Number of rights taken up | Vesting date |
|---|---|---|
| **Rights taken up** | | |
| **Prior to unbundling#** | | |
| June 2017 | 64 360 | September 2020 |
| **Post-unbundling*** | | |
| November 2018 | 250 035 | September 2021 |
| | 314 395 | |

# Rights issued prior to the unbundling of Motus granted participants rights to invest in Imperial shares, which, if held for three years, will be matched by the company on a one-for-one basis by the allocation of an equal number of Motus shares and an equal number of Imperial shares for no consideration.

* Rights issued after the unbundling of Motus granted participants rights to invest in Imperial shares, which, if held for three years, will be matched by the company on a one-for-one basis by the allocation of an equal number of Imperial shares for no consideration.

| Conditional share plan | Number of rights | Average grant price Rand | Vesting date |
|---|---|---|---|
| **Grant date** | | | |
| November 2018 | 488 554 | 65,09 | September 2021 |
| November 2018 | 559 994 | 65,09 | September 2022 |
| November 2018 | 810 416 | 65,09 | September 2023 |
| September 2019 | 2 044 152 | 52,02 | September 2022 |
| September 2019 | 931 844 | 52,02 | September 2024 |
| March 2020 | 217 297 | 46,02 | September 2023 |

The CSPs are allocated in exceptional circumstances only. Employees receive grants of conditional awards and the vesting is subject to performance conditions. The performance conditions for the CSPs will be based on individual targets set by the board. Upon vesting the participant will receive one Imperial share for every right held. No CSP rights vested during the year.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given below.

The cost is recognised in expenses as part of employee benefits, together with a corresponding increase in equity (other reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met.

Vesting of the share options is dependent on the group's achievement of forward-looking performance conditions, being growth in headline earnings per share, ROIC less WACC averaged over the vesting period being greater than a target level and continued employment. The SAR share options can be exercised up to three years after the vesting period. The group's best estimate of the amount of share options that will ultimately vest are estimated on an annual basis and the expense is revised based on this estimation.

Based on prior years' vesting experience, hedges have been taken out with banks and Imperial shares have been repurchased to cover the anticipated number of share appreciation rights and deferred bonuses that will convert. During the 2020 financial year the group delivered 358 817 Imperial shares and 195 365 Motus shares to settle share scheme rights and now holds 8 592 791 Imperial shares and 68 943 Motus shares as hedges. Refer to note 15 for further disclosure on the Imperial share held as hedges.

The fair values for the share-based payment expense is calculated using a Black-Scholes pricing model.

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

## 16 OTHER RESERVES continued

### 16.2 Share-based payment reserve continued

The inputs into the model established in the prior years at the grant dates and which have not changed were as detailed below. There were no grants during 2018 as the group was in a closed period.

| | 2020 | 2020* | 2019 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| **Share appreciation rights scheme** | | | | | | |
| Volatility (%) | | **39,73** | 37,18 | 35,60 | 34,00 | 32,00 |
| Weighted average share price (Rand) | | **52,02** | 65,09 | 152,65 | 127,77 | 174,65 |
| Weighted average exercise price (Rand) | | **52,02** | 65,09 | 152,65 | 127,77 | 174,65 |
| Weighted average fair value of rights (Rand) | | **12,94** | 18,85 | 44,25 | 39,08 | 48,76 |
| Expected life (years) | | **4,09** | 3,85 | 4,3 | 4,39 | 4,27 |
| Average risk-free rate (%) | | **6,78** | 7,75 | 7,59 | 8,75 | 7,47 |
| Expected dividend yield (%) | | **6,19** | 4,00 | 4,00 | 3,75 | 3,5 |
| **Deferred bonus plan and conditional share plan** | | | | | | |
| Volatility (%) | **39,73** | **39,73** | 37,18 | 35,60 | 34,00 | 32,00 |
| Weighted average share price (Rand) | **46,02** | **52,02** | 65,09 | 152,65 | 127,77 | 174,65 |
| Weighted average fair value of rights (Rand) | **36,96** | **41,52** | 56,39 | 134,09 | 112,76 | 156,08 |
| Expected life (years) | **3,54** | **3,66** | 3,61 | 3,24 | 3,33 | 3,21 |
| Average risk-free rate (%) | **6,78** | **6,78** | 7,75 | 7,59 | 8,75 | 7,47 |
| Expected dividend yield (%) | **6,19** | **6,19** | 4,00 | 4,00 | 3,75 | 3,5 |

* There were two CSP offerings granted in 2020.

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

Share-based payment expense charged to profit or loss amounted to R38 million (2019: R181 million) of which R2 million (2019: R40 million) related to discontinued operations. A tax benefit of R2 million (2019: R16 million tax benefit) was recognised directly in equity.

#### Directors' interests in issued share capital

The aggregate allocations to the directors in the share appreciation rights scheme, the deferred bonus scheme and the conditional share plan of the company are outlined in note 39.

### 16.3 Premium paid on purchase of non-controlling interests (NCI)

The effects of changes in the group's ownership interest in subsidiaries that did not result in a loss of control during the year were as follows:

| | Premium paid on purchase of NCI Rm | Change in put reserve on final put exercise Rm | Change in NCI Rm | Consideration amount Rm |
|---|---|---|---|---|
| Acquisition of a further 0,920% interest in Eco Health Limited | **(31)** | | **(3)** | **(34)** |
| Acquisition of a further 1,182% interest in Palletways Group Limited | **1** | | **(44)** | **(43)** |
| Acquisition of the remaining 10% interest in Imres B.V. | **(169)** | **38** | **(57)** | **(188)** |
| Acquisition of the remaining 30% interest in Sasfin Logistics | **(10)** | | **(2)** | **(12)** |
| **2020** | **(209)** | **38** | **(106)** | **(277)** |
| Acquisition of a further 1,073% interest in Eco Health Limited | (48) | | 9 | (39) |
| Acquisition of the remaining 20% interest in KWS Carriers | (53) | | (12) | (65) |
| Acquisition of the remaining 20% interest in Interchain Logistics | (10) | | (1) | (11) |
| Dilution of 25% interest on share issue to NCI in Advance Group | 134 | | 66 | 200 |
| Other | (13) | | (14) | (27) |
| 2019 | 10 | | 48 | 58 |

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **17 RETIREMENT BENEFIT OBLIGATIONS** | | |
| **Defined contribution plans** | | |
| Total cost charged to profit or loss for continuing operations | **(552)** | (481) |
| The group provides retirement benefits through independent funds under the control of trustees and all contributions to those funds are charged to profit or loss. 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 Logistics Limited Pension Fund and the Imperial Logistics Limited Provident Fund which are governed by the Pension Funds Act, 1956. | | |
| **Defined benefit plans** | | |
| Imperial Logistics International GmbH, a subsidiary located in Germany, operates a number of defined benefit plans for its employees in Europe with a majority of the plans being unfunded. Under the plans the employees are entitled to retirement benefits which are dependent on seniority, length of service and level of pay. The defined benefit plans are governed by the "Betriebsrentengesetz (BetrAVG)" (company pension act), which is a federal law implemented in 1974. | | |
| The benefit obligations in Europe are provided for based on actuarial valuations prepared using the projected unit credit method, with the following assumptions: | | |
| – Discount rate (%)* | **0,93** | 1,15 |
| – Projected pension payment increase (%) | **1,75** | 1,75 |
| – Projected salary and other contribution increase (%) | **2,00** | 2,00 |
| – Fluctuation rate (depends on the age of male or female) (%) | **0,00 – 8,00** | 0,00 – 8,00 |
| The latest actuarial valuation was performed in June 2020. In the opinion of the actuaries Willis Towers Watson GmbH and Pecoma Actuarial and Risk S.A, the provision for the defined benefit obligations is adequate. The next valuation will be conducted in June 2021. The change in actuarial assumptions since the previous year have occurred due to changes in the economic environment where the plans operate. | | |
| * The decrease in the discount rate is attributed to central banks globally lowering interest rates as a result of the economic slowdown which resulted in a revaluation of the defined benefit obligation amounting to R100 million. | | |
| The amounts, included in staff costs, recognised in profit or loss for continuing operations in respect of the defined benefit plans are as follows: | | |
| Current service cost | **32** | 18 |
| Interest cost | **11** | 12 |
| | **43** | 30 |

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

## 17 RETIREMENT BENEFIT OBLIGATIONS continued

The amount included on the consolidated statement of financial position arising from the group's obligations are as follows:

| Defined retirement benefit obligations* | 2020 Rm | 2019 Rm |
|---|---|---|
| Carrying value at beginning of year | 1 343 | 1 216 |
| Remeasurement in other comprehensive income | 100 | 127 |
| Payments to retired employees | (57) | (47) |
| Currency adjustments | 290 | 2 |
| Amounts charged to profit or loss | 57 | 45 |
| Reclassified to liabilities of discontinued operation | (624) | |
| **Carrying value at end of year** | **1 109** | 1 343 |

* The above include movements from the discontinued operations up to the point of reclassification to assets of discontinued operations. The amounts disclosed in the notes to the statement of profit or loss relate to continuing operations only. Refer to note 13 for certain disclosures relating to the discontinued operations.

The expected payments to retired employees for the next financial year is R40 million relating to continuing operations and the average duration of the retirement plans varies from nine to 31 years with a median of 18 years.

A quantitative sensitivity analysis for significant assumptions as at 30 June 2020 is shown below:

| Assumption | Discount rate | | Future pension cost | |
|---|---|---|---|---|
| **Sensitivity level** | **+1%** | **-1%** | **+1%** | **-1%** |
| (Decrease) increase in defined benefit obligation (Rm) | (175) | 223 | 159 | (132) |

Based on past experience life expectancy is assumed to remain unchanged.

The sensitivity analyses have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in the key assumptions occurring at the end of the reporting period.

| | 2020 Rm | 2019~ Rm |
|---|---|---|
| **18 INTEREST-BEARING BORROWINGS** | | |
| **Long term** | | |
| – Loans secured by mortgage bonds over fixed property | 54 | 68 |
| – Instalment sale creditors secured by assets | 111 | |
| – Syndicated bank term loans | 7 791 | 5 015 |
| – Revolving credit facility term loans | 612 | 59 |
| – Notice loans | 29 | 27 |
| – Term and bilateral loans | 1 000 | 1 500 |
| – Unsecured loans | 193 | 57 |
| **Long term** | **9 790** | 6 726 |
| **Short term** – unsecured loans, call borrowings and bank overdrafts | **1 975** | 617 |
| **Total borrowings at amortised cost** | **11 765** | 7 343 |
| ***Less:* Current portion of interest-bearing borrowings** | **2 748** | 820 |
| **Long-term borrowings** | **9 017** | 6 523 |

~ Restated for the adoption of IFRS 16 – Leases (refer to note 2).

## 18 INTEREST-BEARING BORROWINGS continued

| | Current year interest rates % | 2020 Rm | 2019~ Rm |
|---|---|---|---|
| **Interest rate analysis** | | | |
| **Fixed** | | | |
| – Mortgage bonds and instalment sale creditors | 0,2 – 5,8 | **54** | 41 |
| – Syndicated bank term loans | 1,3 – 1,3 | **2 890** | 2 462 |
| – Term loans and bilateral loan | 1,6 – 1,6 | **208** | |
| **Variable linked** | | | |
| – Mortgage bonds and instalment sale creditors | 0,1 – 10,0 | **111** | 24 |
| – Syndicated bank term loans – International | 1,3 – 1,3 | **4 773** | 2 425 |
| – Syndicated bank term loans – African Regions | 0,1 – 1,1 | **128** | 128 |
| – Revolving credit facility term loans | 5,2 – 6,8 | **404** | 59 |
| – Notice loans | 6,3 – 6,3 | **29** | 27 |
| – Unsecured loans | 0,1 – 9,8 | **193** | 57 |
| – Term loans | 5,5 – 8,6 | **1 000** | 1 500 |
| – Bank overdrafts – African Regions | 0,1 – 8,0 | **601** | 332 |
| – Bank overdrafts – South Africa | 3,3 – 10,3 | **1 374** | 288 |
| | | **11 765** | 7 343 |

~ Restated for the adoption of IFRS 16 – Leases (refer to note 2).

For interest-rate swap arrangements and further disclosures refer to note 35.

| Details of encumbered assets | Carrying value of debt secured Rm | Carrying value of assets encumbered Rm | Property, plant and equipment Rm | Transport fleet Rm | Inventories Rm | Trade receivables Rm |
|---|---|---|---|---|---|---|
| **Debt instruments** | | | | | | |
| Mortgage bonds, instalment sale creditors and other secured debt | **501** | **774** | **63** | **199** | **286** | **226** |
| **2020** | **501** | **774** | **63** | **199** | **286** | **226** |
| 2019 | 421 | 754 | 75 | 160 | 235 | 284 |

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

## 18 INTEREST-BEARING BORROWINGS continued

| Maturity analysis of interest-bearing borrowings by geography | 2023 and onwards Rm | 2023 Rm | 2022 Rm | 6 to 12 months Rm | 0 to 6 months Rm | 2020 Rm | 2019~ Rm |
|---|---|---|---|---|---|---|---|
| South Africa | 1 029 | 53 | | 978 | 1 087 | 3 147 | 1 644 |
| Europe | | | 7 663 | 42 | 5 | 7 710 | 5 048 |
| Nigeria | 4 | 45 | 44 | 340 | 6 | 439 | 111 |
| Kenya | 59 | 24 | 25 | 28 | 86 | 222 | 223 |
| Botswana | 2 | 24 | | 26 | 1 | 53 | 111 |
| Other | 15 | 4 | 25 | 67 | 83 | 194 | 206 |
| | 1 109 | 150 | 7 757 | 1 481 | 1 268 | 11 765 | 7 343 |
| **Maturity analysis of interest-bearing borrowings by currency** | | | | | | | |
| SA Rand | 1 000 | | | 978 | 878 | 2 856 | 1 644 |
| Euro | | | 4 234 | 42 | | 4 276 | 2 147 |
| British Pound | | | 1 713 | | | 1 713 | 1 522 |
| US Dollar | | | 1 716 | | 208 | 1 924 | 1 333 |
| Nigerian Naira | 4 | 45 | 44 | 340 | 6 | 439 | 111 |
| Kenyan Shilling | 59 | 24 | 25 | 28 | 86 | 222 | 223 |
| Botswana Pula | 31 | 77 | | 26 | 1 | 135 | 111 |
| Other | 15 | 4 | 25 | 67 | 89 | 200 | 252 |
| | 1 109 | 150 | 7 757 | 1 481 | 1 268 | 11 765 | 7 343 |

| Analysis of debt by denominated currency | % of total | 2020 Rm | 2019~ Rm |
|---|---|---|---|
| SA Rand | 24,3 | 2 856 | 1 644 |
| Euro | 36,3 | 4 276 | 2 147 |
| British Pound | 14,6 | 1 713 | 1 522 |
| US Dollar | 16,4 | 1 924 | 1 333 |
| Nigerian Naira | 3,7 | 439 | 111 |
| Kenyan Shilling | 1,9 | 222 | 223 |
| Botswana Pula | 1,1 | 135 | 111 |
| Other | 1,7 | 200 | 252 |
| | 100 | 11 765 | 7 343 |
| **Borrowing facilities** | | | |
| Total direct borrowing facilities established | | 22 221 | 19 008 |
| *Less:* Indebtedness for borrowed money | | 11 601 | 7 222 |
| **Unutilised borrowing capacity** | | 10 620 | 11 786 |

~ Restated for the adoption of IFRS 16 – Leases (refer to note 2).

In terms of the memorandum of incorporation the borrowing powers of the group are unlimited.

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **19 LEASE OBLIGATIONS** | | |
| **Maturity analysis** | | |
| Year 1 | **1 872** | 1 886 |
| Year 2 | **1 486** | 1 426 |
| Year 3 | **1 172** | 1 041 |
| Year 4 | **823** | 758 |
| Year 5 | **488** | 528 |
| Over 5 years | **1 045** | 1 170 |
| Total minimum lease payments | **6 886** | 6 809 |
| *Less:* Unearned interest | **(806)** | (840) |
| | **6 080** | 5 969 |
| **Analysis of debt by denominated currency** | | |
| SA Rand | **1 783** | 2 151 |
| Euro | **3 408** | 3 045 |
| British Pound | **296** | 249 |
| US Dollar | **195** | 14 |
| Nigerian Naira | **75** | 121 |
| Kenyan Shilling | **24** | 4 |
| Other | **299** | 385 |
| | **6 080** | 5 969 |
| **Weighted average remaining lease term for all leases** | **4,9 years** | 5,2 years |
| **Weighted average incremental borrowing rate:** | | |
| South Africa | **8,4%** | 8,3% |
| Rest of Africa | **11,8%** | 11,4% |
| International | **3,3%** | 3,3% |

Refer to note 7 for certain disclosures relating to right-of-use assets.

Lease amendments such as rent free periods and extension of lease terms were treated as lease modifications. The impact of the modifications were immaterial. No significant amendments to leases were experienced by the group as a result of the pandemic.

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **20 OTHER FINANCIAL LIABILITIES** | | |
| Interest-rate swap instruments (level 2 in the fair value hierarchy) | 108 | 62 |
| Contingent consideration liabilities (level 3 in the fair value hierarchy) | 336 | 42 |
| Put option liabilities (level 3 in the fair value hierarchy) | 646 | 951 |
| Other payables – at amortised cost | 325 | 20 |
| | 1 415 | 1 075 |

The put option liabilities in respect of the non-controlling interests in subsidiaries arise from arrangements whereby the non-controlling shareholders of Eco Health Limited have the right to put their remaining shareholding in Eco Health Limited to Imperial Capital Limited.

For a maturity analysis and further disclosures refer to note 35.

| | Dismantling and environmental risks Rm | Onerous contracts and potential claims Rm | Other Rm | 2020 Rm | 2019~ Rm |
|---|---|---|---|---|---|
| **21 PROVISIONS FOR LIABILITIES AND OTHER CHARGES** | | | | | |
| Carrying value at beginning of year | 316 | 497 | 177 | 990 | 521 |
| **Movements during the year*** | | | | | |
| Amounts added | 69 | | 85 | 154 | 121 |
| Unused amounts reversed | (42) | | (6) | (48) | (149) |
| Charged to profit or loss | 27 | | 79 | 106 | (28) |
| Amounts utilised | (98) | (90) | (26) | (214) | 2 |
| Net acquisition of subsidiaries and businesses | | | 12 | 12 | 14 |
| Currency adjustments | 42 | | 2 | 44 | 3 |
| Fair value on discontinued operations | | | 14 | 14 | |
| Provision for closure costs of CPG# | | | | | 497 |
| Reclassifications | | | (3) | (3) | (19) |
| Reclassified to liabilities of discontinued operation and disposal group | | | (46) | (46) | |
| **Carrying value at end of year** | 287 | 407 | 209 | 903 | 990 |
| **Maturity profile** | | | | | |
| Maturing in less than one year | 278 | 407 | 92 | 777 | 847 |
| Maturing in one to five years | 8 | | 1 | 9 | 5 |
| Maturing in more than five years | 1 | | 116 | 117 | 138 |
| | 287 | 407 | 209 | 903 | 990 |

* The above include movements from the discontinued operations up to the point of reclassification to assets of discontinued operations. The amounts disclosed in the notes to the statement of profit or loss relate to continuing operations only. Refer to note 13 for certain disclosures relating to the discontinued operations.

~ Restated for the adoption of IFRS 16 – Leases (refer to note 2).

# Included is a provision made for the lower of the cost of cancellation or the cost of continued use of certain leased properties in the CPG business. The key assumptions in determining this provisions include the expected time until the lease can be subleased and the discount to rent which will have to be paid in order to attract an assignee. Judgement has been exercised in determining which properties are to be included in the provision. Refer to note 13.

Dismantling provisions are raised when a contractual obligation exists to remove buildings or leasehold improvements after termination of the underlying lease contract. The provision for environmental risks include the discounted cost for ongoing ground and water treatment at certain sites and possible risks identified during the environmental due diligence undertaken in the course of the Lehnkering acquisition.

The ageing of the provisions fairly reflects the timing and amounts of the estimated payments to be made.

| | | 2020 Rm | 2019~ Rm |
|---|---|---|---|
| **22** | **TRADE AND OTHER PAYABLES** | | |
| | Trade payables and other accruals | **9 123** | 10 004 |
| | Contract liabilities | **38** | 44 |
| | Derivative financial instruments (level 2 in the fair value hierarchy) | **2** | 5 |
| | | **9 163** | 10 053 |

~ Restated for the adoption of IFRS 16 – Leases (refer to note 2).

For further disclosures refer to note 35.

| | | 2020 Rm | 2019~ Rm |
|---|---|---|---|
| **23** | **REVENUE*** | | |
| **23.1** | **An analysis of the group's continuing revenue is as follows:** | | |
| | Revenue earned at a point in time (sale of goods) | **12 647** | 10 634 |
| | Revenue earned over time (rendering of services) | **33 733** | 33 405 |
| | | **46 380** | 44 039 |
| | Revenue includes: | | |
| **23.2** | **Revenue received from the group's associates and joint ventures** | | |
| | Rendering of services | **48** | 44 |
| | | **48** | 44 |

* The amounts disclosed in the notes to the statement of profit or loss relate to continuing operations only. Refer to note 13 for certain disclosures relating to discontinued operations.

The group has the following revenue streams, split between point in time and over time:

| | | 2020 Rm | 2019~ Rm |
|---|---|---|---|
| **23.3** | **Revenue based on service capability** | | |
| | Freight management^ | **19 298** | 19 180 |
| | Road and rail transportation management | **12 349** | 12 342 |
| | River and short sea transportation management | **648** | 715 |
| | Express freight consolidation | **6 213** | 6 046 |
| | Air and ocean transportation management | **88** | 77 |
| | Market access^ | **12 443** | 10 505 |
| | Wholesale | **1 116** | 954 |
| | Sourcing and procurement | **1 350** | 1 262 |
| | Non-exclusive distributorships | **1 851** | 1 619 |
| | Exclusive distributorships | **8 126** | 6 670 |
| | Contract Logistics^ | **14 189** | 14 134 |
| | Warehousing management | **3 676** | 4 076 |
| | Synchronisation management | **5 542** | 5 329 |
| | Professional and managed services | **367** | 768 |
| | Integrated contract logistics | **2 282** | 3 015 |
| | Distribution management | **2 322** | 946 |
| | Head office and eliminations^ | **(11)** | (299) |
| | Businesses held for sale^ | **461** | 519 |
| | | **46 380** | 44 039 |

^ Refer to annexure A for further details relating to segment information.

**Freight management:** Entails the movement of goods on behalf of clients between specified sources and destinations; using different transportation modes (road, river, rail, air and ocean) and different transportation types (express (LTL) less than load, palletised FTL (full truck load), liquid and dry bulk, ambient and refrigerated).

**Market access:** Taking ownership of product inventory to provide clients with unparalleled access to their end-consumers through an integrated logistics and sales service; leveraging sourcing, warehousing, distribution, synchronisation and transportation management as enablers.

**Contract logistics:** Encompassing warehousing, distribution and synchronisation management provided as dedicated or multi-principal services; often incorporating professional and managed services and integrated with transportation management to evolve to achieving lead logistics provider status.

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **23 REVENUE* continued** | | |
| **23.4 Revenue based on industry verticals** | | |
| Automotive | **5 523** | 5 279 |
| Chemicals and energy | **5 246** | 5 674 |
| Consumer | **11 665** | 10 193 |
| Healthcare | **7 816** | 7 258 |
| Industrial | **6 604** | 6 576 |
| Logistics | **7 741** | 7 571 |
| Other markets | **1 785** | 1 488 |
| | **46 380** | 44 039 |

* The amounts disclosed in the notes to the statement of profit or loss relate to continuing operations only. Refer to note 13 for certain disclosures relating to discontinued operations.

**23.5 Timing of revenue recognition**

Performance obligations regarding the group's revenue from freight management and contract logistics are satisfied over time, as the performance obligations are being fulfilled. Where goods are being transported, revenue is recognised based on the distance covered at the date of cut-off as a proportion of the total distance to the destination.

Revenue from distributorships are recognised at a point in time, upon delivery, as management considers it as the point the control of goods is transferred to the customers and the delivery obligation is fulfilled. The transaction price becomes receivable at this point.

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **23.6 Revenue recognised in relation to contract liabilities** | | |
| The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in the prior years. | | |
| Revenue recognised that was included in contract liabilities at the beginning of the year | **44** | 87 |
| Contract liabilities at 30 June 2020 amounted to R38 million (2019: R44 million) | | |

| | 2020 Rm | 2019~ Rm |
|---|---|---|
| **24 NET OPERATING EXPENSES*** | | |
| Purchase of goods | **(12 873)** | (11 487) |
| Changes in inventories | **(5)** | 256 |
| Cost of outside services | **(16 016)** | (16 095) |
| Staff costs# | **(10 481)** | (9 608) |
| Staff share-based costs^ | **(36)** | (141) |
| Other operating income | **723** | 858 |
| Other operating costs | **(3 594)** | (3 206) |
| | **(42 282)** | (39 423) |

^ Vesting of the share options is dependent on the group's achievement of non-market performance conditions, being growth in headline earnings per share, ROIC less WACC averaged over the vesting period being greater than a target level and continued employment. The group's best estimate of the amount of share options that will ultimately vest are estimated on an annual basis and the expense is revised based on this estimation. Due to the performance of the company indications are that the vesting percentages had to be reduced which resulted in the lower charge compared to the prior year.

# Included in staff costs is Covid-19-related government grants received amounting to R221 million.

| | 2020 Rm | 2019~ Rm |
|---|---|---|
| **The above includes:** | | |
| **Auditor's remuneration** | | |
| – Audit fees | **(54)** | (54) |
| – Other services | **(11)** | (1) |
| | **(65)** | (55) |
| **Operating lease expense** | | |
| Short-term leases | **(248)** | (78) |
| Low-value assets | **(119)** | (94) |
| Variable lease payments not included in the measurement of the lease liability | **(32)** | (24) |
| | **(399)** | (196) |

* The amounts disclosed in the notes to the statement of profit or loss relate to continuing operations only. Refer to note 13 for certain disclosures relating to discontinued operations.

~ Restated for the adoption of IFRS 16 – Leases (refer to note 2).

| | | 2020 Rm | 2019~ Rm |
|---|---|---|---|
| 25 | **DEPRECIATION, AMORTISATION, IMPAIRMENTS AND RECOUPMENTS*** | | |
| 25.1 | **Depreciation, amortisation, impairments and recoupments** | | |
| | *Depreciation and amortisation on owned assets* | | |
| | Intangible assets | (87) | (72) |
| | Total amortisation and impairment of intangible assets | (480) | (472) |
| | *Less:* Amortisation and impairment of intangibles assets arising on business combinations | 393 | 400 |
| | Impairment of intangible assets arising on business combinations | 19 | |
| | Amortisation of intangible assets arising on business combinations | 374 | 400 |
| | Property, plant and equipment | (411) | (373) |
| | Transport fleet | (487) | (483) |
| | | (985) | (928) |
| | *Depreciation and amortisation on right-of-use assets* | | |
| | Property, plant and equipment | (1 158) | (672) |
| | Transport fleet | (409) | (631) |
| | | (1 567) | (1 303) |
| | *Impairments on owned assets* | | |
| | Transport fleet | (12) | |
| | Intangible assets | (102) | (6) |
| | | (114) | (6) |
| | *Profit (loss) on disposal of owned assets* | | |
| | Intangible assets | (4) | (3) |
| | Plant and equipment | (7) | (3) |
| | Transport fleet | 38 | 40 |
| | | 27 | 34 |
| | | (2 639) | (2 203) |
| 25.2 | **Impairment to properties net of recoupments** | | |
| | Recoupments from sale of owned properties | 23 | 33 |
| | Impairment of owned properties^ | (77) | (11) |
| | Impairment of right-of-use properties | (140) | (28) |
| | | (194) | (6) |

^ The impairment charge arose due to lower property valuations as a result of the economic slowdown and comprise mainly of the properties held in MDS Logistics.

| | | 2020 Rm | 2019~ Rm |
|---|---|---|---|
| 26 | **OTHER NON-OPERATING ITEMS*** | | |
| | **Remeasurement of financial liabilities at FVTPL** | 300 | 51 |
| | Remeasurement of put option liabilities | 277 | 51 |
| | Gain on remeasurement of contingent consideration liabilities | 23 | |
| | **Capital items** | (248) | (1 162) |
| | Impairment of goodwill | (223) | (1 139) |
| | (Loss) profit on disposal of subsidiaries and businesses | (23) | 60 |
| | Impairment of equity investments | (26) | |
| | Profit on disposal of associates | 40 | |
| | Impairment of associates and loans advanced to associates | (2) | (73) |
| | Business acquisition costs | (21) | (15) |
| | Net gain on termination of leases | 7 | 5 |
| | | 52 | (1 111) |
| 27 | **NET FINANCE COST*** | | |
| | Interest paid on financial liabilities not fair valued through profit or loss | (560) | (498) |
| | Interest on lease obligations | (227) | (228) |
| | Fair value loss on interest-rate swap instruments | (18) | (4) |
| | Finance cost including fair value loss on interest-rate swap instruments | (805) | (730) |
| | Finance income on financial assets not fair valued through profit or loss | 43 | 62 |
| | Gain on redemption of preference shares | | 63 |
| | | (762) | (605) |

* The amounts disclosed in the notes to the statement of profit or loss relate to continuing operations only. Refer to note 13 for certain disclosures relating to discontinued operations.

~ Restated for the adoption of IFRS 16 – Leases (refer to note 2).

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

| | | 2020 Rm | 2019~ Rm |
|---|---|---|---|
| 28 | **INCOME TAX EXPENSE*** | | |
| | **Current tax** | | |
| | – Current year charge | (449) | (502) |
| | – Prior year (under) overprovisions | (23) | 10 |
| | | (472) | (492) |
| | **Deferred tax** | | |
| | – Current year | 346 | 144 |
| | – Prior year (under) overprovisions | (1) | 5 |
| | – Impairment reversal | | 21 |
| | | 345 | 170 |
| | **Capital gains tax** | | |
| | – Current year | (7) | (25) |
| | | (7) | (25) |
| | **Withholding taxes** | (25) | (39) |
| | | (159) | (386) |

| | 2020 % | 2019~ % |
|---|---|---|
| **Reconciliation of tax rates** | | |
| Profit before tax, excluding share of result of associates and joint ventures – effective tax rate | 62,2 | 158,3 |
| Income tax effect of: | | |
| – Profit on sale of businesses and associates | 1,3 | 7,3 |
| – Profit on sale of non-current assets subject to capital gains tax | 2,7 | 2,8 |
| – Impairment of goodwill and intangible assets | (25,8) | (131,8) |
| – Impairment of investment in associates | (0,2) | (8,5) |
| – Business acquisition costs | (2,3) | (1,7) |
| – Remeasurement of put option liabilities and contingent consideration liabilities | 30,4 | 5,9 |
| – Disallowable expenses net of exempt income | 1,3 | (10,0) |
| – Non-taxable foreign exchange gain | 17,5 | 7,2 |
| – Foreign tax rate and tax base differential | 8,3 | 9,9 |
| – Tax assets recognised | 0,3 | 8,6 |
| – Tax assets not recognised and deferred tax impairments | (45,8) | |
| – Withholding taxes | (9,8) | (16,0) |
| – Capital gains tax | (2,7) | (10,2) |
| – Prior year net (under) over provisions | (9,4) | 6,2 |
| | 28,0 | 28,0 |

~ Restated for the adoption of IFRS 16 – Leases (refer to note 2).
* The amounts disclosed in the notes to the statement of profit or loss relate to continuing operations only. Refer to note 13 for certain disclosures relating to discontinued operations.

Disallowable expenses include non-deductible depreciation on buildings, interest incurred on the non-redeemable non-participating preference shares, depreciation on leasehold improvements and expenses incurred in the production of non-taxable income.

Based on the interpretation of tax laws and prior experience, accrual for tax liabilities are adequate for all open tax years.

The foreign taxes are charged at the prevailing rates applicable to those jurisdictions.

| | 2020 Rm | 2019~ Rm |
|---|---|---|
| **29 EARNINGS PER SHARE** | | |
| **Earnings** | | |
| Net profit attributable to owners of Imperial – basic earnings and diluted earnings | (303) | 3 438 |
| **Continuing operations** | 42 | (232) |
| **Discontinued operations** | (345) | 3 670 |
| Weighted average number of ordinary shares in issue (million) | 188,6 | 193,9 |
| **Basic earnings per share (cents)** | (161) | 1 773 |
| **Continuing operations** | 22 | (120) |
| **Discontinued operations** | (183) | 1 893 |
| **Weighted average number of ordinary shares for basic earnings per share (million)** | 188,6 | 193,9 |
| Adjusted for weighted average potential ordinary shares resulting from:* | | |
| – Dilutive effect of shares allocated in terms of the share schemes (million) | 2,1 | |
| – Potential disposal of shares held by an associate (million) | 4,5 | |
| **Weighted average number of ordinary shares for diluted earnings per share (million)** | 195,2 | 193,9 |
| * The shares were antidilutive in the prior year due to the loss per share from continuing operations. | | |
| **Diluted earnings per share (cents)** | (155) | 1 773 |
| **Continuing operations** | 22 | (120) |
| **Discontinued operations** | (177) | 1 893 |

Headline earnings and diluted headline earnings per share is calculated as follows:

| | Gross amount Rm | Income tax Rm | Non-controlling interests Rm | 2020 Rm | 2019~ Rm |
|---|---|---|---|---|---|
| **Earnings – basic and diluted** | | | | (303) | 3 438 |
| Recoupment from the disposal of property, plant and equipment (IAS 16) | (54) | 14 | 5 | (35) | (35) |
| Loss on disposal of intangible assets (IAS 38) | 4 | (1) | | 3 | 3 |
| Impairment of property, plant and equipment, and transport fleet (IAS 36) | 89 | (26) | (14) | 49 | 11 |
| Impairment of leased property, plant and equipment (IFRS 16) | 140 | (43) | | 97 | |
| Impairment of intangible assets (IAS 36) | 121 | (35) | (6) | 80 | 4 |
| Impairment of goodwill (IAS 36) | 223 | | (7) | 216 | 1 152 |
| Impairment of investment in associates and joint ventures (IAS 28) | 2 | | | 2 | 26 |
| Loss on disposal of subsidiaries and businesses (IFRS 10) | 23 | 1 | 14 | 38 | |
| Profit on disposal of investment in associates (IAS 28) | (40) | 1 | 2 | (37) | (56) |
| Remeasurements included in share of result of associates | | | | | (3) |
| Foreign exchange gain reclassified to profit or loss (IAS 21) | (160) | | | (160) | |
| Post-tax gain on discontinuation of Motus | | | | | (4 339) |
| Post-tax remeasurement of assets on discontinuation of the European shipping business | 240 | 1 | | 241 | 1 |
| Loss on disposal and impairment of property, plant and equipment of the European shipping business | 6 | | | 6 | 1 084 |
| Loss on disposal of property, plant and equipment of CPG | 2 | (1) | | 1 | |
| Headline earnings – basic and diluted | | | | 198 | 1 286 |
| **Headline earnings – basic and diluted** | | | | 198 | 1 286 |
| Continuing operations | | | | 295 | 870 |
| Discontinued operations | | | | (97) | 416 |
| **Basic headline earnings per share (cents)^** | | | | 105 | 663 |
| Continuing operations | | | | 156 | 448 |
| Discontinued operations | | | | (51) | 215 |
| **Diluted headline earnings per share (cents)^** | | | | 101 | 663 |
| Continuing operations | | | | 151 | 448 |
| Discontinued operations | | | | (50) | 215 |

^ 2019 headline earning per share re-presented for the early adoption of Headline Earnings Circular 1/2019.

~ Restated for the adoption of IFRS 16 – Leases (refer to note 2) and represented for the European shipping business discontinued operations in terms of IFRS 5.

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

| | | 2020 Rm | 2019~ Rm |
|---|---|---|---|
| **30** | **NOTES TO THE STATEMENT OF CASH FLOWS** | | |
| | The notes to the consolidated statement of cash flows includes cash from discontinued operations. This differs to the notes to the consolidated statement of profit or loss which excludes amounts for the discontinued operations. | | |
| **30.1** | **Cash generated by operations before interest and taxes paid** | | |
| | *Profit before net financing costs* | 794 | 4 801 |
| | Continuing operations | 1 017 | 849 |
| | Discontinued operations | (223) | 3 952 |
| | **Adjusted for:** | | |
| | Depreciation, amortisation, impairment and recoupments | 1 013 | 1 123 |
| | Depreciation, amortisation, impairment and recoupments of right-of-use assets | 2 199 | 1 721 |
| | Recoupments from sale of properties, net of impairments | 55 | 6 |
| | Amortisation and impairment of intangible assets arising on business combinations | 393 | 400 |
| | Impairment of goodwill | 223 | 1 139 |
| | Lease terminations | (89) | (5) |
| | Loss on disposal of investments in associates, including loan impairments^ | 38 | 9 |
| | (Profit) loss on disposal of subsidiaries, businesses and associates, including loss on discontinuance of CPG# | 66 | (2 414) |
| | Impairment losses of other financial assets | (13) | 1 |
| | Net movement on interest-rate swaps | 3 | 1 |
| | Fair value gains on investments | 4 | (59) |
| | Foreign exchange losses | 93 | 23 |
| | Fair value losses | | 9 |
| | Recognition of share-based costs | 37 | 181 |
| | Net movement in insurance, investments, maintenance and warranty contracts | | (28) |
| | Remeasurement of contingent considerations | (23) | |
| | Remeasurement of put option liabilities | (277) | (51) |
| | Business acquisition costs | 21 | 15 |
| | Decrease in retirement benefit obligations | (1) | (2) |
| | **Cash generated by operations before changes in working capital** | 4 536 | 6 870 |
| | **Working capital movements** | | |
| | Decrease (increase) in inventories | 9 | (2 591) |
| | Decrease (increase) in trade, other receivables and contract assets | 2 588 | (307) |
| | (Decrease) increase in trade and other payables and provisions | (2 038) | 1 360 |
| | | 5 095 | 5 332 |

~ Restated for the adoption of IFRS 16 – Leases (refer to note 2).

| | | 2020 Rm | 2019~ Rm |
|---|---|---|---|
| **30.2** | **Acquisition of subsidiaries and businesses** | | |
| | Goodwill | 477 | 32 |
| | Intangible assets | 378 | 1 |
| | Investments, loans, associates and joint ventures | 29 | 91 |
| | Property, plant and equipment | 495 | 15 |
| | Transport fleet | 119 | |
| | Right-of-use assets | 97 | |
| | Other non-current financial assets | 97 | |
| | Inventories | 317 | 15 |
| | Trade, other receivables and contract assets | 306 | 23 |
| | Cash resources | 39 | 78 |
| | Net deferred tax (liabilities) asset | (240) | 1 |
| | Non-controlling interests | (361) | 2 |
| | Other financial liabilities | (265) | |
| | Interest-bearing borrowings | (40) | (16) |
| | Lease obligations | (70) | |
| | Provisions for liabilities and other charges | (15) | (3) |
| | Trade and other payables | (436) | (72) |
| | Net current tax assets | 6 | |
| | **Purchase consideration transferred*** | 933 | 167 |
| | Contingent consideration | (286) | |
| | Fair value of previously held interest | (325) | |
| | Business acquisition costs | 21 | 15 |
| | Cash resources acquired | (39) | (78) |
| | **Cash flow on acquisition** | 304 | 104 |

^ Refer to note 26.
* Refer to note 37.
# Refer to note 13.

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **30 NOTES TO THE STATEMENT OF CASH FLOWS** continued | | |
| **30.3 Disposal of subsidiaries and businesses** | | |
| Property, plant and equipment | 13 | 11 |
| Transport fleet | 39 | 3 |
| Right-of-use assets | 15 | |
| Other financial assets | 34 | |
| Inventories | 6 | |
| Trade, other receivables and contract assets | 24 | 51 |
| Cash resources | 10 | (5) |
| Non-controlling interests | (32) | (4) |
| Net deferred tax liabilities | (13) | |
| Interest-bearing borrowings | (5) | (9) |
| Lease obligations | (7) | |
| Net current tax liabilities | | (2) |
| Provisions for liabilities and other charges | (3) | (2) |
| Trade and other payables | (17) | (35) |
| **Net assets disposed** | 64 | 8 |
| Cash resources disposed | (10) | 5 |
| Loss on disposal of subsidiaries and businesses | (26) | (1) |
| **Cash flow on disposal** | 28 | 12 |

~ Refer to note 13.

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **30.4 Net replacement capital expenditure – excluding rental assets** | | |
| **Expenditure** | | |
| – Intangible assets | (21) | (22) |
| – Plant and equipment | (283) | (295) |
| – Transport fleet | (850) | (785) |
| | (1 154) | (1 102) |
| **Proceeds from disposals** | | |
| – Intangible assets | 73 | 7 |
| – Plant and equipment | 45 | 64 |
| – Transport fleet | 301 | 294 |
| | 419 | 365 |
| **Net expenditure** | | |
| – Intangible assets | 52 | (15) |
| – Plant and equipment | (238) | (231) |
| – Transport fleet | (549) | (491) |
| | (735) | (737) |

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

| | | 2020 Rm | 2019 Rm |
|---|---|---|---|
| **30** | **NOTES TO THE STATEMENT OF CASH FLOWS** continued | | |
| **30.5** | **Net increase (decrease) in other interest-bearing borrowings** | | |
| | Settlement of listed corporate bonds | | (3 548) |
| | Proceeds of revolving credit facility | 553 | |
| | Repayment of revolving credit facility | | (2 845) |
| | Repayment of bilateral and syndicated bank term loans | (500) | (2 142) |
| | Proceeds from bilateral and syndicated bank term loans | 2 776 | 1 057 |
| | Interest-bearing borrowings settled and unbundled | | 8 158 |
| | Other movements | (1) | 148 |
| | | 2 828 | 828 |
| **30.6** | **Cash resources at end of year** | | |
| | Cash resources | 3 374 | 1 646 |
| | Cash resources in assets of discontinued operations | 22 | |
| | Cash resources included in assets of disposal groups | 190 | |
| | | 3 586 | 1 646 |
| **30.7** | **Net movement in other associates and joint ventures** | | |
| | Proceeds on disposal of associates | 18 | 2 |
| | Dividends received from associates | 7 | 27 |
| | Movement in loans advanced to associates | 20 | 24 |
| | | 45 | 53 |
| **30.8** | **Net movement in investments, loans and non-current financial instruments** | | |
| | Cash receipt from long-term receivables and sale of investments | 40 | 62 |
| | Settlement of non-current financial liabilities and purchase of investments | (99) | (209) |
| | | (59) | (147) |

## 31 ORDINARY DIVIDENDS

**Interim**

- In the current year a dividend of 167 cents per share was paid on 23 March 2020
- In the prior year a dividend of 135 cents per share was paid on 25 March 2019

**Final**

- No final dividend will be paid
- In the prior year a dividend of 109 cents per share was paid on 30 September 2019

Dividends are reflected gross of tax.

| | | 2020 Rm | 2019 Rm |
|---|---|---|---|
| **32** | **COMMITMENTS** | | |
| | **Capital expenditure commitments** | | |
| | Contracted | 106 | 207 |
| | Authorised by directors but not contracted | 8 | 5 |
| | | 114 | 212 |
| | **Short-term lease commitments** | 151 | 118 |
| | | 265 | 330 |

The capital expenditure commitments are substantially for the replacement of transport fleet, which will be financed from proceeds from disposals and existing facilities.

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **33 CONTINGENT LIABILITIES** | | |
| Guarantees issued by Imperial Logistics Limited | 30 | 73 |
| Guarantees issued by Imperial Capital Limited | 98 | 22 |
| | 128 | 95 |
| Other contingencies including litigations | 658 | 394 |
| | 786 | 489 |

## 34 RELATED PARTY TRANSACTIONS

### Directors' interest in subsidiaries

Afropulse Group Proprietary Limited, a wholly black women-owned business, owns 25% of Imperial Logistics Advanced (Advanced), an indirect subsidiary of Imperial Logistics Limited (Imperial). One of the Afropulse shareholders/directors is a non-executive director of Imperial Logistics Limited. Her interest in Imperial and in Advance was declared and she was excused from the decision regarding the interest.

### Interest of directors in contracts

The directors have confirmed that they were not interested in any transaction of any significance with the company or any of its subsidiaries. Accordingly, a conflict of interest with regards to directors' interest in contracts does not exist.

### Subsidiaries

Details of interests in principal subsidiaries are disclosed in note 36.

### Associates and joint ventures

Details of investments in associates and joint ventures that are material to the group are disclosed in note 36.

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **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. | | |
| **Key management personnel remuneration comprises:** | | |
| Non-executive directors' fees | 9 | 9 |
| Short-term employee benefits | 70 | 84 |
| Long-term employee benefits | 4 | 4 |
| | 83 | 97 |
| Number of key management personnel | 10 | 9 |
| Net gains on share options | 2 | 4 |
| Key management has to report any transaction with the group in excess of R100 000. The total value of the goods and services supplied to or from key management on an arm's length basis amounted to: | 2 | 2 |

Certain directors have shareholdings in certain subsidiaries and associates and receive dividends.

## 35 FINANCIAL INSTRUMENTS

### 35.1 Financial risk factors

The group's treasury activities are aligned to the company's business model and the asset and liability committee's (Alco) strategies. The Alco is a board sub-committee responsible for implementing best practice asset and liability risk management with its main objectives being the management of liquidity, interest rate, price and foreign exchange risk. The Alco meets every quarter and follows a comprehensive risk management process. The treasury implements the Alco risk management policies and directives, and provides financial risk management services to the various divisional businesses, coordinates access to domestic and international financial markets for bank as well as debt capital markets funding. The treasury monitors and manages the financial risks relating to the operations of the group through internal risk reports which analyse exposures by degree and magnitude of risks.

The day-to-day management of foreign exchange risk and credit risk is performed on a decentralised basis by the various business units within the group's hedging policies and risk management guidelines.

The group seeks to minimise the effects of these risks by matching assets and liabilities as far as possible or by using derivative financial instruments to hedge the foreign exchange and interest rate risk exposures.

The group does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes. The group enters into financial instruments to manage and reduce the possible adverse impact on earnings from changes in interest rates and foreign exchange rates.

The group's objectives, policies and processes for measuring and managing these risks are detailed below.

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

## 35 FINANCIAL INSTRUMENTS continued

### *35.1.1 Market risk*

This is the risk that changes in response to the general market conditions, such as foreign exchange rates, interest rates, commodity prices and equity prices, which may adversely impact the group's earnings, assets, liabilities and capital.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

### *35.1.2 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. In order to manage these risks, the group may enter into hedging transactions. Derivative instruments are used by the group for hedging purposes. Such instruments include forward exchange contracts, futures and certain currency options authorised by the Alco.

The policy of the group is to maintain a fully covered foreign exchange risk position in respect of foreign currency commitments with a few exceptions authorised by the Alco. 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 risk management guidelines. Trade-related import exposures are managed through the use of natural hedges arising from foreign assets as well as forward exchange contracts and the option structures authorised by the Alco.

#### Divisional currency risk

*Logistics Africa*

The risk in this division relates to certain transactions in foreign currencies, which result in foreign currency denominated debtors and creditors as well as finance leases. In order to mitigate the risks which arise from this exposure, these items are settled immediately, holding cash in hard currency or where foreign exchange contracts are available the risk is hedged within a 50% minimum group risk policy for African businesses. Inter-company loans in different currencies can cause translation gains and losses through the statement of profit or loss and are managed by the African Regions Alco. Translation risk arises from the net investment in Africa. These translation exposures are recognised directly in equity through the translation reserve and only reclassified to profit or loss when the subsidiary is sold. No net investment hedges are in place.

*Logistics International*

Currency risk exposure arises from the conclusion of transactions in currencies other than the functional currencies of operations in the United Kingdom, Netherlands, Belgium, France, Germany, Poland, Switzerland, Sweden and South America. All material exposures arising from transactions external to the group are covered by forward exchange contracts and certain option structures authorised by the Alco. Translation risk arises from the net investment in overseas businesses in the United Kingdom, Australia, United States of America, South America, Poland and Sweden. These translation exposures are recognised directly in equity through the translation reserve and only reclassified to profit or loss when the subsidiary is sold. No net investment hedges are in place.

The average exchange rates shown below include the cost of forward cover. The amounts represent the net Rand equivalent 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 and option structures authorised by the Alco that relate to the importation of inventories at 30 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 | Market value Rm |
|---|---|---|---|---|
| **2020 – bought** | | | | |
| US Dollar | 17 | 16,30 | 282 | 289 |
| Euro | 9 | 20,99 | 190 | 191 |
| South African Rand | 7 | 1,01 | 7 | 7 |
| | | | 479 | 487 |
| **2019 – bought** | | | | |
| US Dollar | 19 | 12,85 | 248 | 247 |
| Euro | 4 | 13,66 | 55 | 56 |
| Pound Sterling | 1 | 14,40 | 7 | 7 |
| South African Rand | 7 | 0,99 | 6 | 7 |
| | | | 316 | 317 |
| **2019 – sold** | | | | |
| Ghanaian Cedi | 16 | 0,19 | 3 | 3 |

## 35 FINANCIAL INSTRUMENTS continued

### 35.1 Financial risk factors continued

#### 35.1.2 *Currency risk* continued

Fair value is calculated as the difference between the contracted value and the value to maturity. The derivative assets and liabilities are included in trade and other receivables and trade and other payables.

The impact from a 10% movement in the valuation of the Rand would approximately have a R35 million (2019: R23 million) impact on the group's equity. The 10% sensitivity rate is based on management's assessment of a reasonable possible change in foreign exchange rates over the foreseeable future, with regards to market value. The 10% sensitivity rate is an after tax rate.

The sensitivity of profits to changes in exchange rates is a result of foreign exchange gains or losses on remeasurement of foreign denominated financial assets and liabilities translated at spot rates are offset by equivalent gains or losses in currency derivatives.

#### 35.1.3 *Interest rate risk*

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

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 matching fixed and floating rate assets and liabilities wherever possible and to achieve a repricing profile in line with the Alco directives. Use is made of interest rate derivatives. The group analyses the impact on profit or loss of defined interest rate shifts – taking into consideration refinancing, renewal of existing positions, alternative financing and hedging.

The group's treasury follows a centralised cash management process including cash management systems across bank accounts in South Africa to minimise risk and interest costs. The group's offshore cash management is managed by the treasuries in Germany, the United Kingdom and the Netherlands. The African Regions' cash management requirements and interest rate risk are managed through the African Regions Alco set up to focus on monthly risk management.

The interest rate profile of total borrowings is reflected in note 18.

The group has entered into interest rate derivative contracts that entitle it to receive interest at floating rates on notional principal amounts and oblige it to pay interest at fixed rates on the same amounts. These instruments are considered to be highly effective. Cash flows of the interest-rate swaps are aligned to the cash flows of the underlying debt instruments.

Details of the interest rate derivative instruments at 30 June 2020 were as follows, in both instances the group has swaps from variable interest rates to fixed interest rates. The swaps are set to mature by June 2021.

| | Carrying value Rm | Notional amount Rm | Variable effective rate % | Fixed derivative rate % |
|---|---|---|---|---|
| Syndicated bank term loans – Logistics International | **2 890** | **2 927** | **1,3** | **1,85** |
| Syndicated bank term loans – Logistics South Africa | **1 000** | **1 000** | **8,575** | **9,1936** |

The impact of a 50 basis points increase in interest rates will have an annualised R9 million (2019: R3 million) effect on the group's after tax profit and equity. The 50 basis points increase or decrease in interest rates represents management's assessment of the reasonably possible changes in interest risk.

#### 35.1.4 *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the group. At 30 June 2020 the group's maximum exposure to credit risk, without taking into account any collateral held or other credit enhancements, arises from the carrying amount of the financial assets as stated in the statement of financial position. This maximum amount the group will have to pay if the financial guarantees are called upon.

To minimise credit risk, companies within the group monitor the financial position of their customers on an ongoing basis. Creditworthiness of trade receivables is assessed when credit is first extended and is reviewed regularly thereafter. The granting of credit is controlled by the application of account limits. Where considered appropriate, use is made of collateral and other credit enhancements.

Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Where needed, the group obtains appropriate collateral to mitigate risk. Counterparty credit limits are in place and are reviewed and approved by the respective subsidiary boards.

The carrying amount of financial assets represents the maximum credit exposure on 30 June 2020. Some of the financial assets below were given as collateral for any security provided. Refer to note 18 for further details.

The group only enters into financial deposits with authorised financial institutions of high credit ratings assigned by international or recognised credit rating agencies.

The group's maximum exposure to credit risk is represented by the carrying value as disclosed on the face of the statement of financial position and contract assets that are exposed to risk.

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

## 35 FINANCIAL INSTRUMENTS continued

### 35.1 Financial risk factors continued

#### *35.1.4 Credit risk* continued

Cash resources

The group deposits short-term cash with reputable financial institutions with investment grade credit ratings assigned by international or recognised credit rating agencies or counterparties authorised by the Alco. None of the financial institutions displayed a significant increase in credit risk during the reporting period.

Trade receivables

Included in trade receivables are trade accounts and lease debtors.

Trade accounts receivable consist of a large, widespread customer base with no concentration of credit risk. Group companies monitor the financial position of their customers on an ongoing basis. Creditworthiness of trade receivables is assessed when credit is first extended and is reviewed regularly thereafter. The granting of credit is controlled by the application of account limits. Where considered appropriate, use is made of credit guarantee insurance.

Management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which its customers operate.

Customer credit risk is managed by each business unit subject to the group's established policy, procedures and control relating to customer credit risk management.

Outstanding receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions.

The group's credit risk grading framework comprises the following categories:

| Category | Description | Basis for recognising expected credit losses |
|---|---|---|
| **Performing** | The counterparty has a low risk of default and does not have any past-due amounts | Lifetime ECL – not credit impaired |
| **Non-performing** | Amount is more than 30 days past due and/or there has been a significant increase in credit risk since initial recognition | Lifetime ECL – not credit impaired |
| **In default** | Amount is more than 90 days past due and/or there is evidence indicating the asset is credit impaired | Lifetime ECL – credit impaired |
| **Write-off** | There is evidence indicating that the group has no realistic prospect of recovery | Amount is written off |

The table below details the credit quality of the group's financial assets as well as maximum exposure to credit risk:

| Receivables | | Expecting loss model | Gross amount Rm | Loss allowance Rm | Net carrying amount Rm |
|---|---|---|---|---|---|
| Trade receivables | | Lifetime ECL simplified approach | **6 357** | **(434)** | **5 923** |
| Lease receivables | The expected credit loss risk is negligible and hence no impairments have been made | Lifetime ECL simplified approach | **10** | | **10** |
| | | | **6 367** | **(434)** | **5 933** |

For trade receivables, the group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime expected credit losses. The group determines the expected losses on these assets by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the financial assets, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

## 35 FINANCIAL INSTRUMENTS continued

### 35.1 Financial risk factors continued

### 35.1.4 *Credit risk* continued

Assets more than 90 days past due are considered in default, unless reasonable and supportable information demonstrate that a more lagging default criterion is more appropriate, for example in the case of billing disputes that take time to resolve and administrative oversight by a customer to perform. The expected credit loss based on past due status in terms of the provision matrix is detailed below:

| | Not past due Rm | < 30 days Rm | > 30 days Rm | > 60 days Rm | > 90 days Rm | > 120 days Rm | Total Rm |
|---|---|---|---|---|---|---|---|
| Expected credit loss rate (%) | | 1,7 | 1,6 | 9,7 | 50,0 | 73,2 | |
| Gross amount outstanding | 4 109 | 1 122 | 319 | 259 | 102 | 456 | 6 367 |
| Lifetime ECL allowance | | (19) | (5) | (25) | (51) | (334) | (434) |
| **2020** | **4 109** | **1 103** | **314** | **234** | **51** | **122** | **5 933** |
| Expected credit loss rate (%) | | 0,4 | 1,2 | 16,8 | 67,5 | 90,0 | |
| Gross amount outstanding | 6 815 | 738 | 330 | 101 | 80 | 319 | 8 383 |
| Lifetime ECL allowance | | (3) | (4) | (17) | (54) | (287) | (365) |
| 2019 | 6 815 | 735 | 326 | 84 | 26 | 32 | 8 018 |

Of the trade receivables that are past due, R199 million (2019: R117 million) is subject to enforcement activity. The gross contractual amount outstanding on trade receivables that was written off that were still subject to enforcement activity amount to R5 million in the prior year (current year: Rnil).

To mitigate credit risk the group holds collateral and other credit enhancements like credit insurance on certain trade receivables. The carrying amount of these receivables amount to Rnil (2019: R189 million). An amount of R6 million (2019: R10 million) of non-performing trade receivables was not impaired due to collateral held.

Based on past experience, the group believes that no impairment is necessary in respect of trade receivables not past due as the amount relates to performing customers that have a good track record with the group, and there has been no objective evidence to the contrary.

There is no significant concentration of risk in respect of any particular customer or industry segment. There is no single customer whose revenue streams exceed 10% of the group's revenue.

At 30 June 2020, the group has assessed the expected credit losses for trade receivables and due to the financial uncertainty arising from Covid-19 management have increased the expected loss rates for trade receivables based on their judgement as to the impact of Covid-19 on trade receivables. However, due to strict cash management measures under these uncertain times, the group was able to significantly reduce trade receivables as well as improve the ageing profile of trade receivables.

In addition, certain individual customers were identified as credit impaired which resulted in a specific credit risk allowance.

The movement in expected credit loss allowance is detailed below:

| | 2020 Rm | 2019 Rm |
|---|---|---|
| Carrying value at beginning of year | 365 | 384 |
| Reclassified to disposal groups of discontinued operations | (19) | (53) |
| Net acquisition of subsidiaries and businesses | 20 | |
| Charged to profit or loss – continuing operations | 72 | 41 |
| Charged to profit or loss – discontinued operations | (37) | 23 |
| Amounts utilised | (32) | (26) |
| Reversed to profit or loss | (24) | (3) |
| Currency adjustments | 89 | (1) |
| **Carrying value at end of year** | **434** | 365 |

The effect of modifications to contractual cash flows during the year and the prior year was Rnil.

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

## 35 FINANCIAL INSTRUMENTS continued

### 35.1 Financial risk factors continued

#### *35.1.4 Credit risk* continued

Guarantees

Guarantees issued to bankers and others, on behalf of subsidiaries, for facilities, as well as guarantees to investors in corporate bonds issued, are disclosed in note 15 to the company annual financial statements.

#### *35.1.5 Liquidity risk*

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The responsibility for liquidity risk management rests with the Alco, which has developed an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding requirements.

The group manages liquidity risk by monitoring forecast cash flows in compliance with loan covenants and ensuring that adequate unutilised committed borrowing facilities are maintained. Unutilised borrowing facilities are reflected in note 18.

To avoid incurring interest on late payments, financial risk management policies and procedures are entrenched to ensure the timeous matching of orders placed with goods received notes or services acceptances and invoices.

| | Contractual cash flows Rm | Less than one year Rm | One to five years Rm | More than five years Rm |
|---|---|---|---|---|
| **Maturity profile of financial assets** | | | | |
| Listed investments | 2 | | 2 | |
| Loans receivable | 269 | 100 | 83 | 86 |
| Gross trade and lease receivables | 6 367 | 6 367 | | |
| Current derivative financial assets | 10 | 10 | | |
| **2020** | **6 648** | **6 477** | **85** | **86** |
| 2019~ | 8 610 | 8 502 | 76 | 32 |

During the year trade receivables with a value of R862 million (2019: R972 million) were sold as part of an asset-backed commercial paper programme. The group retains no continuing involvement with these trade receivables.

| | Carrying amount Rm | Contractual cash flows Rm | Less than six months Rm | Less than one year Rm | One to five years Rm | More than five years Rm |
|---|---|---|---|---|---|---|
| **Maturity profile of financial liabilities** | | | | | | |
| Interest-bearing borrowings | 11 765 | 12 257 | 1 303 | 1 579 | 9 347 | 28 |
| Lease obligations | 6 080 | 6 886 | 967 | 905 | 5 014 | |
| Non-current derivative liabilities | 108 | 108 | | | 108 | |
| Put option liabilities | 646 | 646 | 54 | | 592 | |
| Contingent consideration liabilities | 336 | 336 | 106 | | 230 | |
| Other financial liabilities | 325 | 325 | | 308 | | 17 |
| Trade payables and current derivative liabilities | 9 125 | 9 125 | 9 125 | | | |
| **2020** | **28 385** | **29 683** | **11 555** | **2 792** | **15 291** | **45** |
| 2019~ | 22 847 | 25 943 | 10 962 | 1 965 | 13 016 | |

~ Restated for the adoption of IFRS 16 – Leases (refer to note 2).

## 35 FINANCIAL INSTRUMENTS continued

### 35.2 Fair value measurement

### *35.2.1 Fair value hierarchy*

The group's financial instruments carried at fair value are classified into three categories defined as follows:

**Level 1** financial instruments are those that are valued using unadjusted quoted prices in active markets for identical financial instruments.

**Level 2** financial instruments are those valued using techniques based primarily on observable market data. Instruments in this category are valued using quoted prices for similar instruments or identical instruments in markets which are not considered to be active; or valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data. Financial instruments classified as level 2 mainly comprise over the counter (OTC) derivative instruments. The valuation techniques include the present value of future cash flows, quoted currency spot prices and interest rate yield curves.

**Level 3** financial instruments are those valued using techniques that incorporate information other than observable market data. Instruments in this category have been valued using a valuation technique where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

The following table shows the classification of financial instruments. Instruments carried at fair value are further categorised into the appropriate fair value hierarchy. The carrying value of the assets and liabilities carried at amortised cost approximate their fair values.

| | IFRS 9 | Carrying value Rm | At fair value Level 1 Rm | At fair value Level 2 Rm | At fair value Level 3 Rm | At cost/ amortised cost Rm |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Listed investments | FVTPL | 2 | 2 | | | |
| Loans receivable | Amortised cost | 269 | | | | 269 |
| Trade receivables | Amortised cost | 5 933 | | | | 5 933 |
| Other receivables | Amortised cost | 1 062 | | | | 1 062 |
| Foreign exchange contracts and cross-currency swaps | FVTPL | 10 | | 10 | | |
| Cash resources | Amortised cost | 3 374 | | | | 3 374 |
| Maximum credit exposure | | 10 650 | 2 | 10 | | 10 638 |
| **Financial liabilities** | | | | | | |
| Interest-bearing borrowings | Amortised cost | 11 765 | | | | 11 765 |
| Lease obligations | Amortised cost | 6 080 | | | | 6 080 |
| Other financial liabilities | | 1 415 | | 108 | 982 | 325 |
| Cross-currency and interest-rate swap derivatives | FVTOCI | 108 | | 108 | | |
| Contingent consideration liabilities | FVTPL | 336 | | | 336 | |
| Other loans payable | Amortised cost | 325 | | | | 325 |
| Put option liabilities | FVTPL | 646 | | | 646 | |
| Trade and other payables | | 9 125 | | 2 | | 9 123 |
| Trade payables and accruals | Amortised cost | 9 123 | | | | 9 123 |
| Foreign exchange contracts | FVTPL | 2 | | 2 | | |
| | | 28 385 | | 110 | 982 | 27 293 |

### IFRS 9 – Financial Instruments

***Classification and measurement of financial instruments***

The contractual terms of the group's financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Trade receivables, loan receivables and other receivables are held to collect contractual cash flows and are categorised as subsequently measured at amortised cost. Investments are held to collect contractual cash flows and to sell the financial asset and are categorised as measured at fair value through profit or loss.

The group's financial liabilities are classified as subsequently measured at amortised cost except for the contingent consideration liabilities and the put option liabilities which are fair valued through profit or loss. Derivative liabilities to which hedge accounting is applied are fair valued through other comprehensive income.

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

## 35 FINANCIAL INSTRUMENTS continued

### 35.2 Fair value measurement continued

#### *35.2.2 Level 3 sensitivity information*

The fair values of the level 3 financial liabilities of R982 million were estimated by applying an income approach valuation method including a present value discount technique.

The fair value measurement is based on significant inputs that are not observable in the market. Key assumptions used in the valuations include the assumed probability of achieving profit targets and the discount rates applied. The assumed profitabilities were based on historical performances but adjusted for expected growth.

The following table shows how the fair value of the level 3 financial liabilities as at 30 June 2020 would change if the significant assumptions were to be replaced by a reasonable possible alternative:

| Financial instruments | Valuation technique | Main assumption | Percentage change of assumptions used | Carrying value Rm | Increase in liabilities Rm | Decrease in liabilities Rm |
|---|---|---|---|---|---|---|
| Put option liabilities | Income approach | Earnings growth | 2 | 646 | 12 | (12) |
| Contingent consideration liabilities | Income approach | Assumed profits | 10 | 336 | | (34) |

**Movements in level 3 financial instruments carried at fair value**

The following table shows a reconciliation of the carrying values at the beginning and end of the year of level 3 financial liabilities at 30 June 2020:

| | Put option liabilities Rm | Contingent consideration liabilities Rm | 2020 Rm | 2019 Rm |
|---|---|---|---|---|
| Carrying value at beginning of year | 951 | 42 | 993 | 1 029 |
| Arising on business combinations | | 286 | 286 | |
| Arising on buy-out of non-controlling interest | (222) | | (222) | (4) |
| Fair valued through profit or loss | (244) | (23) | (267) | (51) |
| Derecognition of put liability | (33) | | (33) | |
| Settlements | | (19) | (19) | (7) |
| Currency adjustments | 194 | 50 | 244 | 26 |
| **Carrying value at end of year** | 646 | 336 | 982 | 993 |

The Eco Health put option liability was reduced by R244 million based on a change in the key assumptions used being lower earnings outlook and higher discount rates. The R33 million gain relates to the derecognition of the remaining liability after full and early settlement of the Imres put option liability.

The remeasurement of the contingent liabilities of R23 million relates to the reversal of a contingent consideration liability for which achieving profit targets are highly improbable.

**Transfers between hierarchy levels**

There were no transfers between the fair value hierarchies during the current and the prior year.

## 35 FINANCIAL INSTRUMENTS continued

### 35.3 Capital management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns and growth for shareholders and benefits for other stakeholders. The group maintains an appropriate mix of equity and equity-like instruments (where appropriate) and debt in order to optimise the weighted average cost of capital (WACC) within an appropriate risk profile. Capital allocation is evaluated against the expected and forecast return on invested capital against the appropriate WACC for that division or business.

The group has externally imposed capital requirements in terms of debt covenants on bank facilities. To protect the covenant against currency volatility, the group has agreed with its debt funders to neutralise the impact of extreme currency volatility on the net debt to EBITDA ratio. The covenant, which is calculated on a basis pre-IFRS 16, requires the group to maintain a net debt to earnings before interest, taxation, depreciation and amortisation (EBITDA) of below 3,25:1. The ratio at 30 June 2020 is 2,78:1. Also, interest cover shall not be less than 3,00:1. The ratio at 30 June 2020 is 5,3:1.

The group monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total interest-bearing borrowings excluding lease obligations less cash resources.

| | 2020 Rm | 2019~ Rm |
|---|---|---|
| Interest-bearing borrowings excluding lease obligations | 11 765 | 7 343 |
| *Less:* Cash resources | 3 374 | 1 646 |
| Net debt excluding finance leases | 8 391 | 5 697 |
| Total equity | 8 272 | 8 160 |
| Gearing ratio (%) | 101,4 | 69,8 |

There were no defaults or breaches in terms of interest-bearing borrowings during either reporting periods.

There were no reclassifications of financial assets or financial liabilities that occurred during the year. There were no financial assets or liabilities settled or extinguished which did not meet the derecognition requirements.

On 31 July 2020 the group disposed of its European shipping business for an enterprise value of R3 440 million.

The following table summarises the maturity profile of the group's financial liabilities based on undiscounted contractual cash flows:

| Financial liability | Carrying value Rm | Contractual cash flows Rm | < 6 months Rm | 6 – 12 months Rm | > 12 months Rm |
|---|---|---|---|---|---|
| Interest-bearing borrowings | 11 765 | 12 257 | 1 303 | 1 579 | 9 375 |
| Lease obligations | 6 080 | 6 886 | 967 | 905 | 5 014 |
| Derivative liabilities | 108 | 108 | | | 108 |
| Put option liabilities | 646 | 646 | 54 | | 592 |
| Contingent consideration liabilities | 336 | 336 | 106 | | 230 |
| Other financial liabilities | 325 | 325 | | 308 | 17 |
| Trade payables | 9 125 | 9 125 | 9 125 | | |
| **2020** | 28 385 | 29 683 | 11 555 | 2 792 | 15 336 |
| 2019~ | 22 847 | 25 943 | 10 962 | 1 965 | 13 016 |

~ Restated for the adoption of IFRS 16 – Leases (refer to note 2).

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

## 36 INTEREST IN OTHER ENTITIES

### 36.1 Composition of the group

Imperial Logistics is mainly an African and Eurozone logistics provider of outsourced, integrated freight management, contract logistics and market access – customised to ensure relevance and competitiveness of our clients. The consolidated financial statements include the accounts of Imperial Logistics Limited (the company) and all of its subsidiaries at 30 June 2020.

The group holds majority voting rights in all of its subsidiaries. Non-controlling shareholders have significant interests in six of the group's subsidiaries. Ukhamba Holdings is the group's material associate. Details are provided below.

*36.1.1 The principal operating subsidiaries of the company and their activities are:*

| Subsidiary | Place of incorporation | % owned | Nature of business |
|---|---|---|---|
| Imperial Holdings International Cooperation U.A. | Netherlands | 100 | Business conducted by Imperial Holdings International Cooperation U.A. and its subsidiaries comprises integrated logistics solutions. Further details on the composition of Imperial Holdings International Cooperation U.A. is provided in note 36.1.2. |
| Imperial Logistics South Africa Holdings Proprietary Limited | South Africa | 100 | Imperial Logistics South Africa Holdings Proprietary Limited is the holding company of the South African Logistics group. Business conducted by the South African Logistics group comprises transportation, logistics and group services. Details on the businesses included are provided in note 36.1.3. |
| Imperial Capital Limited | South Africa | 100 | Imperial Capital is a registered Domestic Treasury Management Company (DTMC) entity. It is the holding company of the African Regions businesses, with the businesses ranging from transportation, distribution and logistics services. It holds an 89% interest in Eco Health Limited, 70% in Surgipharm Limited, 57% in MDS Logistics, 51% in ACP Holdings and Imperial's interest in other African logistics and transport operations. Details on the businesses included are provided in note 36.1.5. |

# 36 INTEREST IN OTHER ENTITIES continued

## 36.1 Composition of the group continued

### *36.1.2 Principal subsidiaries of Imperial Holdings International Cooperation U.A.*

| Subsidiary | Place of incorporation | % owned | Nature of business |
|---|---|---|---|
| Imperial Mobility Finance B.V. | Netherlands | 100 | The subsidiary is a finance company that obtains funding for various entities within the group. |
| Imperial Logistics International B.V. & Co.KG | Germany | 100 | The subsidiary is the holding company for all German and other European subsidiaries. Further it houses the shared services and the central IT function of the International Logistics Group. |
| Imperial Shipping Services GmbH | Germany | 100 | The subsidiary houses a large part of the European shipping business. Imperial Shipping implements efficient transport solutions on Europe's waterways. It has a fleet of inland vessels used on European waterways, primarily active in the transport of dry bulk cargo. This entity is now part of discontinued operations. |
| Imperial Shipping Paraguay S.A. | Germany | 95 | Imperial Shipping Paraguay implements transportation of goods and materials on the South American waterways. Currently it has a fleet of inland vessels used on the Rio Parana river, transporting iron ore, grain and other bulk products between Brazil and Argentina. |
| Imperial Industrial Logistics GmbH | Germany | 100 | Specialises in contract logistics for the steel industry and in spare parts logistics for machinery and equipment manufacturers including warehousing, transport and value-added services. |
| Imperial Automotive Logistics GmbH | Germany | 100 | A contract logistics specialist providing a broad range of services from the beginning to the end of the supply chain for the automotive industry including OEMs and suppliers. |
| Imperial Chemical Logistics GmbH | Germany | 100 | Imperial Chemical Logistics and subsidiaries specialise in chemical logistics, offering transport, warehousing distribution and value-added services such as packaging on behalf of its customers. |
| Imres B.V. | Netherlands | 100 | Imres, a wholesaler of pharmaceutical and medical supplies to NGOs, hospitals and retailers, operates in the international medical relief industry, targeting mainly African emerging countries with developing healthcare markets and needs. |
| Palletways Group Limited | United Kingdom | 96,4 | Palletways provides express delivery of palletised freight, and is Europe's leading pallet network with more depots and greater volumes than any other operator. Palletways handles over 45 000 pallets daily – the equivalent of one pallet every two seconds.<br><br>Since its launch, Palletways has developed a strategic network of more than 400 depots and 20 hubs, covering 24 European countries. Further details are provided in non-controlling interest, refer to note 36.2. |

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

## 36 INTEREST IN OTHER ENTITIES continued

### 36.1 Composition of the group continued

#### *36.1.3 Principal businesses of Imperial Logistics South Africa Holdings Proprietary Limited*

| Subsidiary | Place of incorporation | % owned | Nature of business |
|---|---|---|---|
| Imperial Logistics South Africa Group Proprietary Limited | South Africa | 100 | These businesses provide a complete logistics solution, including transportation, warehousing, distribution and related value-added services in South Africa. This entity also provides group services and the treasury function of the Logistics Group. Details on the businesses included are provided in note 36.1.4. |
| Pharmed Pharmaceutical Proprietary Limited | South Africa | 62,5 | Pharmed specialises in the wholesale supply and distribution of healthcare-related products – including ethical, generic, patent and homeopathic medicines; surgical, dental and veterinary products; and medical equipment. This entity is now part of held-for-sale operations. |
| Itumele Bus Lines Proprietary Limited | South Africa | 55 | Itumele's primary business is providing public transport services on behalf of the provincial government to commuters in and around Bloemfontein. Founded in 1975, the operation comprises a fleet of 253 commuter buses and 32 luxury coaches. Itumele transports approximately 50 000 passengers daily and its buses travel approximately 17 million kilometres a year. |
| Goldfields Trucking Proprietary Limited | South Africa | 60 | The Goldfields Group offers specialist warehousing and distribution centre solutions for every supply chain need, as well as the supply of reliable primary transport of super link and bulk liquid (non-chemical) loads. Goldfields boasts an extensive national footprint with a fleet consisting of various types of vehicles for long haul and local distribution, and operates nationally and cross-border throughout Southern Africa. Further details are provided in non-controlling interest, refer to note 36.2. |
| Imperial Logistics Advance Group Proprietary Limited | South Africa | 75 | Advance Group comprises KWS Logistics and Tankers businesses. The KWS business operates in the agriculture and mining industries and offers transportation management solutions. The company moves approximately 160 000 metric tonnes per month throughout Southern Africa by using strategic asset owners. Tanker Services Food & Chemicals provides transportation of liquid and dry bulk products throughout South Africa. Tanker Services Fuel & Gas provides road transportation, both primary (transportation from Durban and Cape Town ports to inland destinations) and secondary (transportation to mining operations and retail outlets) of bulk fuel and gas products. |

## 36 INTEREST IN OTHER ENTITIES continued

### 36.1 Composition of the group continued

#### *36.1.4 Principal businesses of Imperial Logistics South Africa Group Proprietary Limited*

| Divisions of Imperial Logistics South Africa Group Proprietary Limited | Place of incorporation | % owned | Nature of business |
|---|---|---|---|
| Imperial Cargo Solutions | South Africa | 100 | National line-haul transport, warehousing and distribution of general and dangerous goods across industry verticals. |
| Imperial Fast and Fresh | South Africa | 100 | Provides multi-temperature as well as ambient transport (primary and secondary) distribution solutions for a leading retailer and producers both nationally and cross-border. |
| Imperial Health Sciences | South Africa | 100 | This business provides a complete logistics solution, including warehousing, distribution and value-added services to the healthcare and pharmaceutical industry. |
| Imperial Dedicated Contracts | South Africa | 100 | Provides supply chain solutions nationally by integrating clients' logistics functions through the use of people, processes, technology and logistics activities. These solutions may include transportation, dedicated warehousing, distribution, planning, etc. |
| Imperial Managed Logistics | South Africa | 100 | Manages the supply chain that plans, implements and controls the efficient and effective forward and reverse flow and storage of goods between point of origin and point of consumption. |
| Resolve Solutions | South Africa | 100 | Resolve is a supply chain solutions specialist. We make business better by improving supply chains through:<br>– Purposeful advisory.<br>– Developing and/or implementing enablement technologies.<br>– Combining the skills of our people with technology to provide managed services, through value-based commercial models to our clients. |

#### *36.1.5 Principal businesses of Imperial Capital Limited*

| Subsidiary | Place of incorporation | % owned | Nature of business |
|---|---|---|---|
| Eco Health Limited | Nigeria | 89 | Eco Health is a leading distributor of pharmaceutical products in Nigeria. Based in Lagos, Nigeria, the company also has operations in Ghana and Dubai. Further details are provided in non-controlling interest, refer to note 36.2. |
| Surgipharm Limited | Kenya | 70 | Surgipharm headquartered in Nairobi is a leading distributor of pharmaceutical, medical and surgical supplies in Kenya. Further details are provided in non-controlling interest, refer to note 36.2. |
| MDS Logistics Limited | Nigeria | 57 | MDS Logistics Limited, established in Nigeria, is engaged in the business of supply chain and logistics management services. The principal activities of MDS are warehousing, distribution and haulage services. Further details are provided in non-controlling interest, refer to note 36.2. |
| ACP Holdings Limited (Far East Mercantile) | Ghana | 51 | Far East Mercantile is based in Ghana and provides a route-to-market solution for consumer packaged goods in Ghana. These services extend beyond transportation and warehousing and include sales and merchandising. Further details are provided in non-controlling interest, refer to note 36.2. |
| Axis Group International DMCC | Ghana | 60 | The group headquartered in Dubai, is strategically aligned to facilitate trade between Imperial's present customer base and companies based in the Chinese and Asian region. Axis can facilitate the sourcing and purchasing of products in China and Asia as well as providing a route-to-market for all companies wanting to trade in these particular areas. |
| Geka Pharma Proprietary Limited | Namibia | 65 | Geka Pharma headquartered in Windhoek, is engaged in the supply of pharmaceuticals to the healthcare industry in Namibia and is a fully registered and licensed pharmaceutical wholesaler. Geka delivers product throughout Namibia to pharmacies, private clinics and hospitals, pharmaceutical wholesalers, doctors and other healthcare service providers and the Ministry of Health and Social Services. |

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

## 36 INTEREST IN OTHER ENTITIES continued

### 36.2 Non-controlling interests in the group's activities

The following subsidiaries have non-controlling interests that are material to the group:

| Subsidiary | Principal place of business | Operating segment | Interest held by NCI 2020 % | Interest held by NCI 2019 % |
|---|---|---|---|---|
| Eco Health Limited | Nigeria | African Regions | **11** | 12 |
| Far East Mercantile | Ghana | African Regions | **49** | |
| Surgipharm Limited | Kenya | African Regions | **30** | 30 |
| MDS Logistics Limited | Nigeria | African Regions | **43** | |
| Goldfields Trucking Proprietary Limited | South Africa | South Africa | **40** | 40 |
| Palletways Group Limited | United Kingdom | International | **4** | 5 |

The following is summarised financial information for Eco Health, Far East Mercantile, Surgipharm, MDS, Goldfields and Palletways based on their respective consolidated financial statements prepared in accordance with IFRS, modified for fair value adjustments made at the time of acquisition and differences in accounting policies. The information is before inter-company eliminations with other entities in the group.

| | Eco Health | | Far East | | Surgipharm | | MDS | | Goldfields | | Palletways | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2020 Rm** | 2019~ Rm | **2020 Rm** | 2019 Rm | **2020 Rm** | 2019~ Rm | **2020 Rm** | 2019 Rm | **2020 Rm** | 2019~ Rm | **2020 Rm** | 2019~ Rm |
| Revenue | **3 203** | 2 913 | **801** | | **1 202** | 1 058 | **170** | | **1 081** | 1 107 | **5 813** | 5 630 |
| Net profit for the year | **320** | 202 | **23** | | **48** | 57 | **11** | | **79** | 76 | **124** | 193 |
| Net profit attributable to non-controlling interests | **31** | 26 | **7** | | **6** | 17 | **(21)** | | **32** | 30 | **5** | 10 |
| Other comprehensive income | **11** | 2 | **7** | | **16** | 3 | **39** | | | | **807** | (47) |
| **Total comprehensive income** | **331** | 204 | **30** | | **64** | 60 | **50** | | **79** | 76 | **931** | 146 |
| Income attributable to non-controlling interests | **39** | 28 | **14** | | **26** | 18 | **12** | | **32** | 30 | **34** | 8 |
| Total assets | **2 845** | 2 319 | **519** | | **757** | 643 | **485** | | **648** | 717 | **5 854** | 4 955 |
| Total liabilities | **2 063** | 1 847 | **455** | | **468** | 441 | **265** | | **410** | 489 | **1 547** | 1 482 |
| **Total equity** | **782** | 472 | **64** | | **289** | 202 | **220** | | **238** | 228 | **4 307** | 3 473 |
| Equity attributable to non-controlling interests | **65** | 56 | **31** | | **87** | 61 | **94** | | **95** | 91 | **162** | 174 |
| Dividends paid to non-controlling interests | **28** | 29 | | | | 11 | | | **27** | 26 | | |
| Cash paid for non-controlling interests | **34** | 39 | | | | | | | | | **43** | |
| Put option liabilities | **646** | 758 | | | | | | | | | | |

~ Restated for the adoption of IFRS 16 – Leases (refer to note 2).

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **36 INTEREST IN OTHER ENTITIES** continued | | |
| **36.3 Investment in associates and joint ventures** | | |
| Unlisted shares at cost | 82 | 380 |
| Share of post-acquisition reserves | 78 | 87 |
| **Carrying value of shares – equity accounted** | 160 | 467 |
| Indebtedness by associates and joint ventures | 38 | 53 |
| – Less than one year | | 1 |
| – More than one year | 38 | 52 |
| | 198 | 520 |

The following is summarised financial information for the group's interest in immaterial associates and joint ventures, based on the amounts reported in the group's consolidated financial statements:

| | Associates 2020 Rm | Associates 2019 Rm |
|---|---|---|
| **Group's share of:** | | |
| – Net profit for the year | 22 | 39 |
| – Other comprehensive income (loss) | 12 | (5) |
| Total comprehensive income | 34 | 34 |
| Carrying value of interest in immaterial associates | 160 | 201 |

## 37 BUSINESS COMBINATIONS DURING THE YEAR

| Businesses acquired | Nature of business | Operating segment | Date acquired | Interest acquired % | Purchase consideration Rm |
|---|---|---|---|---|---|
| Axis Group International DMCC | Facilitates and sources products on behalf of customers as well as arranging a route-to-market for companies wanting to trade with China and Asia | Logistics African Regions | December 2019 | 60 | 170 |
| Geka Pharma Proprietary Limited | Pharmaceutical supplies to the healthcare industry in Namibia | Logistics African Regions | January 2020 | 65 | 78 |
| ACP Holdings Limited (Far East Mercantile Ghana) | Importer and distributor of fast-moving consumer goods across Ghana | Logistics African Regions | January 2020 | 51 | 301 |
| MDS Logistics Limited (previously 49% held associate) | Provider of integrated supply chain solutions to manufacturers, importers, service providers and wholesale distributors across Nigeria | Logistics African Regions | January 2020 | 57 | 366 |
| Individually immaterial acquisitions | | | | | 18 |
| **Total purchase consideration transferred** | | | | | 933 |

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

## 37 BUSINESS COMBINATIONS DURING THE YEAR continued

**Fair value of assets acquired and liabilities assumed at date of acquisition**

| | Axis Group Rm | Geka Pharma Rm | MDS Rm | Far East Mercantile Rm | Individually immaterial acquisitions Rm | Total Rm |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Intangible assets | 38 | 31 | 153 | 147 | 9 | 378 |
| Property, plant and equipment | | 3 | 478 | 14 | | 495 |
| Right-of-use assets | | 10 | 70 | 16 | 1 | 97 |
| Transport fleet | | | 66 | | 53 | 119 |
| Investments, loans and associates | | | | | 29 | 29 |
| Non-current financial assets | | | | 79 | 18 | 97 |
| Deferred tax assets | | 3 | | 5 | | 8 |
| Inventories | | 84 | 45 | 188 | | 317 |
| Trade, other receivables and contract assets | | 103 | 51 | 144 | 8 | 306 |
| Tax in advance | | | 14 | | | 14 |
| Cash resources | 4 | 3 | 15 | 16 | 1 | 39 |
| | 42 | 237 | 892 | 609 | 119 | 1 899 |
| **Liabilities** | | | | | | |
| Deferred tax liabilities | | 8 | 189 | 36 | 15 | 248 |
| Interest-bearing borrowings | | | | | 40 | 40 |
| Lease obligations | | 10 | 44 | 15 | 1 | 70 |
| Other financial liabilities | | | | 265 | | 265 |
| Trade and other payables and provisions | | 134 | 98 | 174 | 45 | 451 |
| Current tax liabilities | | 5 | | 3 | | 8 |
| | | 157 | 331 | 493 | 101 | 1 082 |
| Acquirees' carrying amount at acquisition | 42 | 80 | 561 | 116 | 18 | 817 |
| *Less:* Non-controlling interests' proportionate share | (16) | (28) | (241) | (76) | | (361) |
| Net assets acquired | 26 | 52 | 320 | 40 | 18 | 456 |
| Purchase consideration transferred | 170 | 78 | 366 | 301 | 18 | 933 |
| – Cash resources | 66 | 47 | 41 | 163 | 5 | 322 |
| – Contingent consideration | 104 | 31 | | 138 | 13 | 286 |
| – Fair value of previously held interest | | | 325 | | | 325 |
| **Excess purchase consideration over net assets acquired** | 144 | 26 | 46 | 261 | | 477 |

The initial accounting for certain of the business combinations are incomplete and based on provisional figures and will be finalised in the next 12 months.

### Reasons for the acquisitions

The group acquired a 60% shareholding in Axis Group International DMCC in Dubai for R170 million. Axis Group is strategically aligned to facilitate trade between Imperial's present customer base and companies based in the Chinese and Asian region. Axis Group can facilitate the sourcing and purchasing of products in China and Asia as well as providing a route-to-market for all companies wanting to trade in these particular areas. It has more than 22 years' experience in this market and is the go-to company for any company wanting to expand or open up trade in the Chinese and Asian region.

The group acquired a 65% shareholding in Geka Pharma Proprietary Limited for R78 million. Geka is engaged in the supply of pharmaceuticals to the healthcare industry in Namibia and is a fully registered and licensed pharmaceutical wholesaler. Geka delivers product throughout Namibia to pharmacies, private clinics and hospitals, pharmaceutical wholesalers, doctors and other healthcare service providers and the Ministry of Health and Social Services. This acquisition is in line with Imperial's strategy to expand into healthcare in Namibia.

## 37 BUSINESS COMBINATIONS DURING THE YEAR continued

### Reasons for the acquisitions continued

The group acquired an additional 8% interest in MDS Logistics Limited thereby increasing its shareholding to 57% for R41 million (excluding the R325 million for the fair value of its previously held interest). The gain on the deemed disposal of MDS as an associate amounted to R49 million. This amount is included in "Other non-operating items" in profit or loss. MDS is engaged in the business of supply chain and logistics management services. The principal activities of MDS are warehousing, distribution and haulage services. This acquisition allows Imperial to expand its footprint and service offering in Nigeria.

The group acquired a 51% shareholding in ACP Holdings (Far East Mercantile) for R301 million. Far East Mercantile is based in Ghana and provides a route-to-market solution for FMCG in Ghana. These services extend beyond transportation and warehousing and include sales and merchandising. This acquisition expands Imperial's footprint and service offerings in the West African region.

The other businesses were acquired to complement and expand our staffing businesses in South Africa and the bus services in the Lowveld region through the acquisition of businesses in South Africa.

### Details of contingent consideration for acquisitions concluded during the year

The contingent consideration requires the group to pay the vendors an additional total amount of R286 million over three years if the entities' net profit after tax exceeds certain profit targets and certain net debt targets. At year-end the contingent consideration liability was reassessed taking into account the impact of Covid-19 on the fair value measurement of the contingent consideration based on what is expected to be paid, and no remeasurement was required.

### Acquisition costs for acquisitions concluded during the year

Acquisition costs for business acquisitions concluded during the year amounted to R12 million and have been recognised as an expense in profit or loss in the "Other non-operating items" line.

### Impact of the acquisitions on the results of the group for acquisitions concluded during the year

From the dates of acquisition the businesses acquired during the year contributed revenue of R1 502 million and operating profit of R107 million. Intangible assets arising out of the business combinations were amortised by R62 million and the group incurred funding cost of R17 million calculated on the cash consideration paid on acquisitions. The Covid-19 pandemic has had an impact on the revenues and profits of the acquired businesses which has resulted in goodwill impairment of R181 million, impairment of intangible assets arising out of business combinations of R19 million and impairment of properties of R48 million. Despite the pandemic the businesses still delivered good revenues and operating profits.

Had all the acquisitions been consolidated from 1 July 2019, they would have contributed additional revenue of R2 969 million and operating profit of R201 million. The amortisation of intangibles would have been R102 million and the funding cost R34 million.

### Separate identifiable Intangible assets for acquisitions concluded during the year

As at the acquisition date the fair value of the separate identifiable intangible assets was R378 million. This fair value, which is classified as level 3 in the fair value hierarchy, was determined using the multi-year excess earnings method (MEEM) valuation technique for contract-based intangible assets, and the relief from royalty method for brand-based intangible assets.

The significant unobservable valuation inputs were as follows:

| | Axis Group % | Geka Pharma % | MDS Logistics % | Far East Mercantile % |
|---|---|---|---|---|
| **Brand name** | | | | |
| – Discount rate | 19,5 | | 19,7 | |
| – Royalty rate | 0,3 | | 0,8 | |
| **Contract-based intangible assets** | | | | |
| – Weighted average discount rates | 18,0 – 19,0 | 15,1 – 15,9 | 19,2 – 20,2 | 17,6 – 18,4 |
| – Terminal growth rate | 2,3 | 4,9 | 11,0 | 8,3 |

The assumptions used in arriving at projected cash flows were based on past experience and adjusted for any expected changes.

### Other details for acquisitions concluded during the year

Trade and other receivables had gross contractual amounts of R376 million of which R38 million was considered doubtful. Non-controlling interests have been calculated based on their proportionate share in the acquiree's net assets. None of the resulting goodwill is deductible for tax purposes.

# Notes to the consolidated annual financial statements continued

for the year ended 30 June 2020

## 38 EVENTS AFTER THE REPORTING PERIOD

The group's European shipping business, presented as a discontinued operation at 30 June 2020, was disposed of on 31 July 2020. The proceeds on disposal of R3 440 million resulted in a decrease in net debt of the same value.

On 30 July 2020, Imperial has entered into an agreement for the sale of the Pharmed business. Refer to note 13.2 in the annual financial statements.

Effective August 2020, Imperial acquired a 49% shareholding in Pharmafrique Proprietary Limited (trading as Kiara Health) for approximately R76 million. Kiara Health is a pharmaceutical manufacturing and healthcare services company based in Johannesburg which serves as the local manufacturing partner for a global leader in generic and biosimilar medicines. This acquisition is in line with Imperial's strategy to backward integrate into contract manufacturing as part of its market access service to multinationals on the continent. Access to this capability will create a pipeline of opportunities for our market access and logistics services in the healthcare industry in South Africa.

The group considered the impact of changes to the Covid-19 lockdown restrictions post-30 June 2020 and concluded that the significant accounting judgements, estimates and assumptions applied in the preparation of these annual financial statements remain appropriate. Refer to note 1.26 for significant accounting judgements, estimates and assumptions applied.

## 39 DIRECTORS' REMUNERATION AND INTEREST IN SHARES

### 39.1 Directors' remuneration

| | Salary R'000 | Bonus and settle-ments R'000 | Un-bundling incentive R'000 | Retirement and medical contribu-tions R'000 | Other benefits R'000 | Directors' fees R'000 | Subsidiary/ associate and sub-committee fees R'000 | 2020 Total R'000 | 2019 Total R'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Non-executive directors** | | | | | | | | | |
| P Cooper | | | | | | 325 | 608 | 933 | 916 |
| GW Dempster | | | | | | 892 | 743 | 1 635 | 1 299 |
| P Langeni | | | | | | 1 459 | 642 | 2 101 | 1 948 |
| B Radebe~ | | | | | | 232 | 222 | 454 | |
| D Reich~ | | | | | | 1 850 | | 1 850 | |
| RJA Sparks | | | | | | 325 | 1 024 | 1 349 | 2 047 |
| **Resigned from Imperial** | | | | | | | | | |
| S Kana | | | | | | | | | 878 |
| MV Moosa | | | | | | | | | 329 |
| A Tugendhaft | | | | | | | | | 777 |
| T Skweyiya | | | | | | 173 | 351 | 524 | 981 |
| **2020 – non-executives** | | | | | | 5 256 | 3 590 | 8 846 | |
| **Executive directors** | | | | | | | | | |
| M Akoojee | 9 705 | 7 116 | | 518 | 120 | | | 17 459 | 20 640 |
| JG de Beer | 4 988 | 3 654 | | 531 | 178 | | | 9 351 | 8 830 |
| **Resigned from Imperial** | | | | | | | | | |
| OS Arbee | | | | | | | | | 6 533 |
| **Retired** | | | | | | | | | |
| M Swanepoel | | | | | | | | | 14 675 |
| **2020 – executives** | 14 693 | 10 770 | | 1 049 | 298 | | | 26 810 | |
| **2020 – all directors** | 14 693 | 10 770 | | 1 049 | 298 | 5 256 | 3 590 | 35 656 | |
| 2019 – all directors | 25 658 | 6 850 | 16 000 | 1 571 | 599 | 3 360 | 5 815 | | 59 853 |
| **Prescribed officers** | | | | | | | | | |
| J Truter | 3 654 | 2 115 | | 585 | 314 | | | 6 668 | 4 900 |
| H Bicil | 9 377 | 2 854 | | 1 166 | 205 | | | 13 602 | 13 583 |
| E Hewitt~ | 1 478 | | | 130 | 40 | | | 1 648 | |
| **Retired** | | | | | | | | | |
| N van der Westhuizen* | 4 624 | 4 164 | | 71 | 798 | | | 9 657 | 6 233 |
| **2020 – prescribed officers** | 19 133 | 9 133 | | 1 952 | 1 357 | | | 31 575 | |
| 2019 – prescribed officers | 13 217 | 8 241 | | 1 737 | 1 521 | | | | 24 716 |

~ Appointed during the year.
* N van der Westhuizen received a settlement of R4 164 000 on retirement in terms of his contract.

## 39 DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

### 39.2 Directors' interest in shares

| Number of shares | 2020 Beneficial | 2019 Beneficial |
|---|---|---|
| **Non-executive directors** | | |
| GW Dempster | **99** | 99 |
| RJA Sparks | **40 000** | 40 000 |
| | **40 099** | 40 099 |
| **Executive directors** | | |
| M Akoojee | **236 638** | 221 454 |
| JG de Beer | **76 817** | 76 817 |
| | **313 455** | 298 271 |
| | **353 554** | 338 370 |

### 39.3 Incentive schemes

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

*Participation in the share appreciation rights scheme (SARs)*

| | Commencement date | Number of rights | Price | Vesting date | Vested | Forfeited | Balance |
|---|---|---|---|---|---|---|---|
| **Executive director** | | | | | | | |
| M Akoojee | 11 Jun 2013 | 38 154 | 195,20 | 15 Sep 2016 | 24 583 | 24 583 | |
| | 18 May 2016 | 103 976 | 127,77 | 16 Sep 2019 | 91 249 | | 91 249 |
| | 21 Jun 2017 | 66 556 | 152,65 | 16 Sep 2020 | | | 66 556 |
| JG de Beer | 6 Oct 2015 | 27 226 | 174,65 | 15 Sep 2018 | 27 226 | | 27 226 |
| | 18 May 2016 | 81 677 | 127,77 | 16 Sep 2019 | 71 680 | | 71 680 |
| | 21 Jun 2017 | 132 878 | 152,65 | 16 Sep 2020 | | | 132 878 |
| **Prescribed officer** | | | | | | | |
| J Truter | 6 Oct 2015 | 27 756 | 174,65 | 15 Sep 2018 | 27 756 | | 27 756 |
| | 18 May 2016 | 48 373 | 127,77 | 16 Sep 2019 | 42 452 | | 42 452 |
| | 21 Jun 2017 | 57 995 | 152,65 | 16 Sep 2020 | | | 57 995 |
| | 30 Nov 2018 | 147 992 | 65,09 | 15 Sep 2021 | | | 147 992 |
| N van der Westhuizen (retired) | 06 Oct 2015 | 40 212 | 174,65 | 15 Sep 2018 | 40 212 | | 40 212 |
| | 18 May 2016 | 117 121 | 127,77 | 16 Sep 2019 | 102 785 | | 102 785 |
| | 21 Jun 2017 | 157 352 | 152,65 | 16 Sep 2020 | | | 157 352 |
| | 30 Nov 2018 | 352 960 | 65,09 | 15 Sep 2021 | | | 352 960 |
| H Bicil | 30 Nov 2018 | 522 783 | 65,09 | 15 Sep 2021 | | | 522 783 |

The number of rights that will eventually vest in terms of the SARs is subject to the achievement of performance conditions linked to earnings per share performance targets relative to a peer group of 20 JSE listed companies and return on invested capital (ROIC) targets relative to the weighted average cost of capital (WACC) of the group. The rights vested could be fewer than the numbers of rights granted.

*Participation in the deferred bonus scheme*

| | Commencement date | Number of rights allocated | Vesting date | Number of shares committed | Forfeited | Vested during the year | Balance |
|---|---|---|---|---|---|---|---|
| **Executive director** | | | | | | | |
| M Akoojee | 18 May 2016 | 31 940 | 16 Sep 2019 | 15 184 | 16 756 | 15 184 | |
| | 21 Jun 2017 | 49 132 | 16 Sep 2020 | 39 880 | 9 252 | | 39 880 |
| | 30 Nov 2018 | 142 111 | 15 Sep 2021 | 142 111 | | | 142 111 |
| JG de Beer | 30 Nov 2018 | 76 817 | 15 Sep 2021 | 76 817 | | | 76 817 |
| **Prescribed officer** | | | | | | | |
| J Truter | 21 Jun 2017 | 5 062 | 16 Sep 2020 | 5 062 | | | 5 062 |
| | 30 Nov 2018 | 16 132 | 15 Sep 2021 | 16 132 | | | 16 132 |

## 39 DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

### 39.3 Incentive schemes continued

*Participation in the conditional share plan*

| | Date of grant | Conditional awards | Vesting date 1<br>15 Sep 2021 | Vesting date 2<br>15 Sep 2022 | Vesting date 3<br>15 Sep 2023 |
|---|---|---|---|---|---|
| **Executive director** | | | | | |
| M Akoojee | 30 Nov 2018 | 460 900 | 115 225 | 115 225 | 230 450 |
| | 4 Sep 2019 | 373 982 | | 373 982 | |
| JG de Beer | 30 Nov 2018 | 307 267 | 76 817 | 76 817 | 153 633 |
| | 4 Sep 2019 | 202 719 | | 202 719 | |
| **Prescribed officer** | | | | | |
| J Truter | 30 Nov 2018 | 238 132 | 59 533 | 59 533 | 119 066 |
| | 4 Sep 2019 | 164 272 | | 164 272 | |
| N van der Westhuizen (retired) | 30 Nov 2018 | 238 132 | 83 346 | 154 786 | |
| | 4 Sep 2019 | 175 055 | | 175 055 | |
| H Bicil | 30 Nov 2018 | 253 495 | 63 374 | 63 374 | 126 747 |
| | 4 Sep 2019 | 279 167 | | 279 167 | |
| E Hewitt~ | 2 Mar 2020 | 217 297 | | | 217 297 |

~ Appointed during the year.

### 39.4 Gains by directors and prescribed officers on share schemes during the year

| | 2020<br>R'000 | 2019<br>R'000 |
|---|---|---|
| **Executive director** | | |
| OS Arbee (resigned from Imperial) | | 6 494 |
| M Swanepoel (retired) | | 5 769 |
| M Akoojee | 1 982 | 3 085 |

## 40 GOING CONCERN

### Going concern statement

*Performance*

As reflected in these results, most of our businesses have seen significant impacts on volumes due to lockdown restrictions. The month of April was the worst affected with South Africa trading at c.55% of volumes, African Regions c.70% and Europe c.50%. While many of our markets, mainly in Europe, have now eased lockdown restrictions and activity levels are increasing, our businesses in South Africa (mainly those with exposure to alcohol and tobacco industries) and other African markets continue to be impacted by various stages of lockdown restrictions. We therefore anticipate the impact of the Covid-19 pandemic to significantly impact our operations and performance in the short term.

For the 2021 financial year, subject to stable currencies, a steady recovery in revenue on the back of easing Covid-19 restrictions and a recovery in economies in which we operate, we expect the group's continuing operations to deliver operating profit growth compared to the prior year and free cash flow generation.

*Solvency and liquidity*

As at 30 June 2020, the consolidated statement of financial position reflects total equity of R8 272 million. The total direct borrowing facilities established at the reporting date amount to R22 221 million of which the unutilised capacity was R10 620 million.

The group has externally imposed capital requirements in terms of debt covenants. The covenants, which is calculated on a basis pre-IFRS 16, requires the group to maintain a net debt to EBITDA of 3,25 times and an EBITDA to net interest expense ratio of no less than 3,0 times.

At 30 June 2020, the group's covenant net debt to EBITDA ratio was 2,78 times and our covenant net interest EBITDA ratio was 5,3 times.

Post-30 June 2020 the group completed the sale of its European shipping business. The proceeds of R3 440 million reduced net debt leading to a significant improvement of the net debt to EBITDA ratio.

As the 2020 calendar year is most affected by the Covid-19 pandemic, we tested the possibility of the group not meeting debt covenants for the 12-month period ending 31 December 2020. For this purpose we subjected the second half of 2020 to the same lockdown restrictions as those described above. Under this unlikely scenario and after taking mitigating actions as needed, our forecast did not indicate a breach of debt covenants at 31 December 2020.

While we are confident of our liquidity position under the uncertain environment we find ourselves in, and to give increased financial stability, we have deferred the decision on dividend declarations and share repurchases until the interim results in February 2021.

In addition, capital expenditure for the 2021 financial year will be limited to essential and committed expenditure. The focus for the immediate future will be operating cash flows aided by strict working capital management. These measures, all within management control and not impeding the group's ability to meet client demands, will provide greater liquidity and financial flexibility.

*Structural changes*

No significant structural changes to the business, due to the Covid-19 pandemic, were required. The sale of the European shipping business and the recent executive management changes are in line with the group's long-term strategic objectives and is unrelated to the pandemic.

*Conclusion*

On the basis outlined above the directors consider it is appropriate for the going concern basis to be adopted in preparing the annual financial statements.

# Company statement of financial position

at 30 June 2020

| | Notes | 2020 Rm | 2019 Rm |
|---|---|---|---|
| **ASSETS** | | | |
| Interest in subsidiaries | 2 | **14 160** | 12 363 |
| Deferred tax asset | 3 | **16** | 8 |
| Other financial assets | | **5** | |
| Trade and other receivables | | **3** | 2 |
| Cash resources | | | 269 |
| **Total assets** | | **14 184** | 12 642 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital and share premium | 4 | **1 030** | 1 030 |
| Retained earnings | | **10 314** | 9 743 |
| Hedging reserve | | **(41)** | (21) |
| **Total equity** | | **11 303** | 10 752 |
| **Liabilities** | | | |
| Interest-bearing borrowings | 5 | **1 000** | 1 500 |
| Other financial liabilities | 7 | **59** | 32 |
| Trade payables, provisions and other liabilities | 6 | **22** | 20 |
| Current portion of interest-bearing borrowings | 5 | **1 800** | 338 |
| **Total liabilities** | | **2 881** | 1 890 |
| **Total equity and liabilities** | | **14 184** | 12 642 |

# Company statement of comprehensive income

for the year ended 30 June 2020

| | Notes | 2020 Rm | 2019 Rm |
|---|---|---|---|
| **Revenue** | 8 | **1 021** | 2 062 |
| Net operating expenses | 9 | **(17)** | (29) |
| Other non-operating items | 10 | **120** | (9 739) |
| **Profit (loss) before net financing income** | | **1 124** | (7 706) |
| Finance cost | | **(290)** | (186) |
| Finance income | | **293** | 267 |
| **Profit (loss) before tax** | | **1 127** | (7 625) |
| Income tax expense | 11 | **(1)** | (4) |
| **Net profit (loss) for the year** | | **1 126** | (7 629) |
| **Other comprehensive loss that may be classified subsequently to profit or loss** | | **(20)** | (21) |
| Movement in hedge accounting reserve | | **(28)** | (29) |
| Income tax relating to the movement in the hedge accounting reserve | | **8** | 8 |
| **Comprehensive income (loss) for the year** | | **1 106** | (7 650) |

# Company statement of changes in equity

for the year ended 30 June 2020

| | Share capital and share premium Rm | Hedging reserve Rm | Retained earnings Rm | Total Rm |
|---|---|---|---|---|
| **At 30 June 2018** | 1 030 | | 35 584 | 36 614 |
| Total comprehensive loss for the year | | (21) | (7 629) | (7 650) |
| Ordinary dividends paid | | | (1 054) | (1 054) |
| Ordinary dividend distribution in specie on unbundling of Motus | | | (17 058) | (17 058) |
| Shares repurchased and cancelled* | | | (100) | (100) |
| **At 30 June 2019** | 1 030 | (21) | 9 743 | 10 752 |
| Total comprehensive income for the year | | **(20)** | **1 126** | **1 106** |
| Ordinary dividends paid | | | **(555)** | **(555)** |
| **At 30 June 2020** | **1 030** | **(41)** | **10 314** | **11 303** |

* 1 560 000 shares were repurchased from Imperial Corporate Services Proprietary Limited and were subsequently cancelled.

# Company statement of cash flows

for the year ended 30 June 2020

| | Notes | 2020 Rm | 2019 Rm |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated by operations | 12 | **1 129** | 1 933 |
| Finance cost paid | | **(290)** | (186) |
| Finance income received | 13 | **293** | 204 |
| Tax paid | 14 | **(1)** | (4) |
| | | **1 131** | 1 947 |
| **Cash flows from investing activities** | | | |
| Additional investment in subsidiaries | | **(544)** | (694) |
| Capital distribution from subsidiaries | | **34** | |
| Cash (outflow) inflow on investments and other non-current financial assets | | **(11)** | 6 |
| Loans granted to subsidiaries | | **(1 286)** | (1 292) |
| Net cash outflows from non-current financial liabilities | | | (4) |
| | | **(1 807)** | (1 984) |
| **Cash flows from financing activities** | | | |
| Repurchase of ordinary shares | | | (100) |
| Settlement of non-redeemable, non-participating preference shares | | | (378) |
| Dividends paid | | **(555)** | (1 054) |
| Increase in interest-bearing borrowings | | **962** | 1 838 |
| | | **407** | 306 |
| **Net (decrease) increase in cash and cash equivalents** | | **(269)** | 269 |
| Cash resources at beginning of year | | **269** | |
| **Cash resources at end of year** | | | 269 |

# Notes to the company annual financial statements

for the year ended 30 June 2020

## 1 ACCOUNTING POLICIES

The principal accounting policies adopted and methods of computation used in the preparation of the company's annual financial statements are set out below and are consistent in all material aspects with those applied during the previous year. These accounting policies should be considered in conjunction with the group accounting policies where applicable.

### 1.1 Statement of compliance

The annual financial statements are stated in South African Rand and are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the company at 30 June 2020 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa, 2008.

### 1.2 Basis of measurement

The annual financial statements are prepared on the historical cost basis, modified by the restatement of certain financial instruments to fair value.

### 1.3 Interest in subsidiaries

Interests in subsidiaries are initially recognised at fair value being the amount paid to a third party or the amount based on a valuation model where an investment is acquired from another group company. Thereafter interest in subsidiaries and associates are subject to impairment tests and any impairment is recognised in profit or loss for the period.

At the end of each reporting period, the group assesses if there is any indication that such assets have suffered an impairment loss.

If there is an indication that an investment in subsidiary has suffered an impairment loss then the fair value less costs to sell is compared to the carrying value of the investment. If the carrying value is higher than the fair value less cost to sell an impairment loss is recognised in profit or loss immediately.

### 1.4 Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the contract.

***Initial measurement***

Financial assets and financial liabilities are initially measured at fair value plus transaction costs.

***Subsequent measurement***

Financial assets comprising trade receivables are subsequently measured at amortised cost using the effective interest method, less any impairment where appropriate.

All financial liabilities are subsequently measured at amortised cost using the effective interest method except for financial liabilities at fair value through profit or loss, including derivative liabilities, which are measured at fair value.

***Derecognition***

Financial assets are derecognised when the right to receive cash flows has expired or the company has transferred the financial asset and all the risks and rewards associated with ownership of the financial asset.

Financial liabilities are derecognised when the obligations specified in the contacts are discharged, cancelled or expired.

### 1.5 Revenue

Dividend income from interests in subsidiaries, investments in associates and joint ventures and other investments, is recognised when the company's right to receive payment has been established.

### 1.6 Finance costs and finance income

Finance costs are recognised in profit or loss in the period in which they are incurred.

Interest income is accrued on the time basis, by reference to the principal outstanding and 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.

## 1 ACCOUNTING POLICIES continued

### 1.7 Income taxes

Income tax comprises current and withholding tax for the year recognised in profit or loss.

*Current tax*

Current tax assets or liabilities are recognised based on the expected tax payable or refundable. Current tax is calculated on the taxable profit for the period using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

*Withholding tax*

Withholding tax is payable at different tax rates on the dividends received from foreign subsidiaries.

*Deferred tax*

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax liabilities are recognised for all taxable temporary differences on investments in subsidiaries, associates and joint ventures where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will reverse in the future.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets are recognised for all deductible temporary differences on investments in subsidiaries, associates and joint ventures where the temporary difference will reverse in the foreseeable future and that the taxable profit will be available, against which the temporary difference can be utilised.

### 1.8 Significant judgements and estimates

The preparation of the annual financial statements requires the company's management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the 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 and current and economic conditions.

Significant judgement is applied when determining the fair value of investments in subsidiaries and associates transferred from other group companies. This includes the assessment of the valuation model and the appropriateness and accuracy of the inputs to the model.

The company uses judgement when assessing the impairments of the investments in subsidiaries, associates and joint ventures, and the determination of contingent consideration liabilities.

### 1.9 IFRS that became effective during the year

IFRS 16, applicable to the company for its 2020 year-end, introduces a single lease accounting model that requires the company as a lessee to recognise assets and liabilities for all leases with a term longer than 12 months. The application of IFRS 16 did not have a material impact on the company's accounting policies and methods of computation.

| | | 2020<br>Rm | 2019<br>Rm |
|---|---|---|---|
| **2** | **INTEREST IN SUBSIDIARIES** | | |
| | Shares at cost | 13 023 | 12 651 |
| | Indebtedness by subsidiaries | 3 777 | 2 457 |
| | | 16 800 | 15 108 |
| | *Less:* Impairment provision | (2 640) | (2 745) |
| | Interest in subsidiaries net of impairment provisions | 14 160 | 12 363 |

# Notes to the company annual financial statements continued

for the year ended 30 June 2020

| | | 2020 Rm | 2019 Rm |
|---|---|---|---|
| **3** | **DEFERRED TAX ASSET** | | |
| | **Movement in deferred tax** | | |
| | Current year benefit recognised in equity | 8 | 8 |
| | **Analysis of deferred tax** | | |
| | Deferred tax on interest-rate swaps | 16 | 8 |
| **4** | **SHARE CAPITAL AND SHARE PREMIUM** | | |
| | **Authorised share capital** | | |
| | 394 999 000 (2019: 394 999 000) ordinary shares of 4 cents each | 15 | 15 |
| | 50 000 000 (2019: 50 000 000) deferred ordinary shares of 4 cents each | 2 | 2 |
| | 15 000 000 (2019: 15 000 000) preferred ordinary shares of 4 cents each | 1 | 1 |
| | 1 000 (2019: 1 000) redeemable preference shares of 4 cents each | | |
| | 40 000 000 (2019: 40 000 000) non-redeemable, non-participating preference shares of 4 cents each | 2 | 2 |
| | | 20 | 20 |
| | **Issued and fully paid share capital** | | |
| | 202 074 388 (2019: 201 242 919) ordinary shares of 4 cents each | 8 | 8 |
| | 6 036 422 (2019: 6 867 891) deferred ordinary shares of 4 cents each | 1 | 1 |
| | Share capital | 9 | 9 |
| | Share premium | 1 021 | 1 021 |
| | **Share capital and premium** | 1 030 | 1 030 |

**Directors' authority to issue ordinary shares and non-redeemable, non-participating preference shares**

The directors have been given general authority until the next annual general meeting to issue:

- Not more than 5% of the issued ordinary share capital at 30 June 2019.
- Not more than 5 million of the non-redeemable, non-participating preference shares.

**Ordinary shares**

The ordinary shares carry one vote per share and are entitled to an ordinary dividend.

**Deferred ordinary shares**

The deferred ordinary shares were issued to Ukhamba, the group's BBBEE partner. The shares convert into ordinary shares annually at a fixed rate of 831 469 shares. At 30 June 2020, 16 718 967 (2019: 15 887 498) deferred ordinary shares have been converted into the same amount of ordinary shares. The last conversion will be on 30 June 2025. These shares carry one vote per share and are not entitled to dividends.

**Directors' interests in issued share capital**

At year-end the aggregate shareholdings of the directors in the issued ordinary share capital of the company are outlined in note 39.2 of the consolidated annual financial statements.

| | Current year interest rates % | 2020 Rm | 2019 Rm |
|---|---|---|---|
| **5 INTEREST-BEARING BORROWINGS** | | | |
| **Interest rate analysis by type of debt instrument** | | | |
| – Syndicated bank term loans | 5,46 – 8,58 | 1 000 | 1 501 |
| – Unsecured loans | 4,25 – 7,25 | 130 | 103 |
| – Call borrowings | 4,89 – 7,60 | 1 185 | 4 |
| – Long-term revolving credit facility | 5,15 – 6,80 | 351 | |
| – Bank overdrafts | 3,25 – 10,25 | 134 | 230 |
| | | 2 800 | 1 838 |

The company's debt is denominated in SA Rand. R1 800 million of the debt is expected to mature within three to five years with the balance maturing within one year from the end of this financial year-end.

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **6 TRADE PAYABLES, PROVISIONS AND OTHER LIABILITIES** | | |
| Trade payables, accruals and indemnity provisions | 22 | 20 |
| The fair value of the trade payables and accruals approximate their carrying value. | | |
| **7 OTHER FINANCIAL LIABILITIES** | | |
| Interest-rate swap instruments (level 2 in the fair value hierarchy) | 59 | 32 |
| The interest-rate swaps were taken out to hedge the variable interest rate on the syndicated loans based on a notional value of R1 000 million. The variable interest rate on these loans which range between 5,46% and 8,58% per annum are swapped for a fixed interest rate of 9,19% per annum. | | |
| **8 REVENUE** | | |
| An analysis of the company's revenue is as follows: | | |
| Dividends from subsidiaries, associates and joint ventures | 1 021 | 2 062 |
| | 1 021 | 2 062 |
| **9 NET OPERATING EXPENSES** | | |
| The following disclosable items have been included in operating expenses: | | |
| Admin fee paid to related party for services rendered | (5) | (12) |
| Auditor's remuneration | (4) | (4) |
| Non-executive directors' emoluments* | (9) | (9) |
| Donations | (2) | |
| Professional fees | (3) | (4) |
| Other | 6 | |
| | (17) | (29) |

* Refer to note 39 in the consolidated annual financial statements for the executive directors' emoluments.

# Notes to the company annual financial statements continued

for the year ended 30 June 2020

| | | 2020 Rm | 2019 Rm |
|---|---|---|---|
| **10** | **OTHER NON-OPERATING ITEMS** | | |
| | Loss on unbundling of Motus* | | (7 203) |
| | Net gain (loss) on sale of subsidiaries and associates and write off to investments in and loans to subsidiaries | **11** | (65) |
| | Net reversal of impairment (impairment) of investments in and loans to subsidiaries and share-buybacks~ | **105** | (2 373) |
| | Net impairment of associates | | (15) |
| | Costs associated with the unbundling of Motus and other business disposal costs | | (83) |
| | Reclassification from hedging reserve | **1** | (7) |
| | Other income | **9** | 7 |
| | Write off of other financial assets | **(6)** | |
| | | **120** | (9 739) |

* The loss on unbundling arose due to the difference between the value of the Motus shares that were unbundled.

~ The net reversal of the impairments comprise the net of impairments reversed and impairments raised on investments and loans granted to subsidiaries. The reversal of impairments arose due to write offs and share buy-backs on investments and loans granted to subsidiaries. The fair value less cost to sell was compared to the carrying value net of impairments of the investments and loans granted to subsidiaries and impaired where necessary. The fair value is based on the expected realisable value of the investments some of the major inputs used were future earnings.

The fair value less cost to sell is calculated using the forecast cash inflows and outflows which are expected to be derived from the investments. Cash flow projections for financial forecasts are based on expected revenue, operating margins, working capital requirements and capital expenditure, which were approved by senior management.

The expected revenues are based on market share assumptions, volume growth and price increases. No significant change in market share was assumed during the forecast period of five years and is based on the average market share in the period immediately before the forecast period. Volume growth was based on average growth experienced in recent years. The exchange rates used in the cash flow projections were consistent with external sources of information.

| | | 2020 Rm | 2019 Rm |
|---|---|---|---|
| **11** | **INCOME TAX** | | |
| | **South African normal tax** | | |
| | – Current year charge | | (5) |
| | – Prior year (underprovision) overprovision | **(1)** | 2 |
| | – Withholding tax | | (1) |
| | | **(1)** | (4) |
| | **Reconciliation of tax rate** | **%** | % |
| | Profit (loss) before tax – effective tax rate | **0,1** | (0,1) |
| | Tax effect of: | | |
| | – Loss on unbundling of Motus | | 26,5 |
| | – Loss on sale of other subsidiaries and businesses and impairments | **(1,1)** | 9,0 |
| | – Write off of other investments | **(0,1)** | |
| | – Disallowable charges | **(0,4)** | 0,4 |
| | – Exempt income | **25,6** | (7,8) |
| | – Foreign exchange gain | **4,0** | |
| | – Prior year underprovision | **(0,1)** | |
| | | **28,0** | 28,0 |

Disallowable expenses include interest incurred on the non-redeemable, non-participating preference shares and expenses incurred in the production of non-taxable income as well as the costs associated with the unbundling of Motus.

| | | 2020 Rm | 2019 Rm |
|---|---|---|---|
| 12 | **CASH GENERATED BY OPERATIONS** | | |
| | Profit (loss) before net financing costs | 1 124 | (7 706) |
| | Other non-operating items | 49 | 9 663 |
| | Dividend received in specie | (45) | |
| | **Working capital movements** | | |
| | – (Increase) decrease in trade and other receivables | (1) | 16 |
| | – Increase (decrease) in trade and other payables | 2 | (40) |
| | | 1 129 | 1 933 |
| 13 | **FINANCE INCOME RECEIVED** | | |
| | Finance income | 293 | 267 |
| | Gain on settlement of non-redeemable, non-participating preference share | | (63) |
| | | 293 | 204 |
| 14 | **TAX PAID** | | |
| | Current tax recognised in profit or loss | (1) | (4) |
| | | (1) | (4) |
| 15 | **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 was | 8 031 | 6 886 |
| | The company has contingent liabilities in respect of guarantees issued to suppliers 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 was | 40 | 280 |

# Notes to the company annual financial statements continued

for the year ended 30 June 2020

## 16 FINANCIAL INSTRUMENTS

### Fair value

The carrying amounts of financial instruments (except contingent consideration liabilities) approximates fair value.

### Interest rate risk

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

The company is exposed to interest rate risk as it borrows at floating rates and places funds at both floating and fixed rates. The risk is managed by matching fixed and floating rate assets and liabilities wherever possible and to achieve a repricing profile in line with the group's Alco directives. Use is made of interest rate derivatives. The company analyses the impact on profit or loss of defined interest rate shifts – taking into consideration refinancing, renewal of existing positions, alternative financing and hedging.

The group's treasury follows a centralised cash management process including cash management systems across bank accounts in South Africa to minimise risk and interest costs.

The impact of a 50 basis points increase in interest rates will have an annualised R5 million (2019: R8 million) effect on the company's pre-tax profit. The 50 basis points increase or decrease represents management's assessment of the reasonably possible changes in interest risk.

### Credit risk

*Cash resources*

The company deposits short-term cash with reputable financial institutions with investment grade credit ratings assigned by international or recognised credit-rating agencies or counterparties authorised by the investment committee.

*Liquidity risk*

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The responsibility for liquidity risk management rests with the Alco, which has developed an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding requirements.

The company manages liquidity risk by monitoring forecast cash flows in compliance with loan covenants and ensuring that adequate unutilised committed borrowing facilities are maintained. Unutilised borrowing facilities amounted to R4 514 million at 30 June 2020.

To avoid incurring interest on late payments, financial risk management policies and procedures are entrenched to ensure the timeous matching of orders placed with goods received notes or services acceptances and invoices.

### Maturity profile of financial instruments

| | Carrying amount Rm | Contractual cash flows Rm | Less than one year Rm | One to five years Rm | More than five years Rm |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Other financial assets and trade and other receivables | 5 | 8 | 3 | 5 | |
| **Financial liabilities** | | | | | |
| Interest-bearing borrowings | 2 800 | 3 161 | 1 993 | 1 168 | |
| Other financial liabilities | 59 | 59 | | 59 | |
| Trade payables and accruals | 22 | 23 | 10 | | 13 |
| **2020** | **2 881** | **3 243** | **2 003** | **1 227** | **13** |
| 2019 | 1 890 | 2 482 | 484 | 433 | 1 564 |

## 17 EVENTS AFTER THE REPORTING PERIOD

There were no adjusting subsequent events identified or non-adjusting subsequent events that requires disclosure.

## 18 GOING CONCERN

The company's annual financial statements are prepared on the going concern basis. Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for the foreseeable future. For more detail refer to note 40 of the consolidated annual financial statements.

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# Annexure A – Secondary segmental information – continuing operations

| Profit or loss | Imperial Logistics | | Freight Management | | Contract Logistics | | Market Access | | Businesses held for sale | | Head Office and Eliminations | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2020 Rm** | 2019 Rm | **2020 Rm** | 2019 Rm | **2020 Rm** | 2019 Rm | **2020 Rm** | 2019 Rm | **2020 Rm** | 2019 Rm | **2020 Rm** | 2019 Rm |
| **Revenue*** | **46 380** | 44 039 | **19 298** | 19 180 | **14 189** | 14 134 | **12 443** | 10 505 | **461** | 519 | **(11)** | (299) |
| – Logistics Africa | **14 861** | 14 156 | **8 706** | 9 096 | **6 166** | 5 359 | | | | | **(11)** | (299) |
| – Market Access | **12 904** | 11 024 | | | | | **12 443** | 10 505 | **461** | 519 | | |
| – Logistics International | **18 615** | 18 859 | **10 592** | 10 084 | **8 023** | 8 775 | | | | | | |
| **Operating profit** | **1 459** | 2 413 | **540** | 1 182 | **283** | 570 | **710** | 718 | **(100)** | (50) | **26** | (7) |
| – Logistics Africa | **793** | 1 157 | **543** | 709 | **224** | 455 | | | | | **26** | (7) |
| – Market Access | **610** | 668 | | | | | **710** | 718 | **(100)** | (50) | | |
| – Logistics International | **56** | 588 | **(3)** | 473 | **59** | 115 | | | | | | |
| **Depreciation, amortisation, impairments and recoupments** | **(3 226)** | (2 609) | **(1 535)** | (1 153) | **(1 249)** | (1 125) | **(433)** | (330) | **(4)** | (3) | **(5)** | 2 |
| – Logistics Africa | **(918)** | (852) | **(505)** | (468) | **(408)** | (386) | | | | | **(5)** | 2 |
| – Market Access | **(437)** | (333) | | | | | **(433)** | (330) | **(4)** | (3) | | |
| – Logistics International | **(1 871)** | (1 424) | **(1 030)** | (685) | **(841)** | (739) | | | | | | |
| **Net finance cost** | **(762)** | (605) | **(289)** | (241) | **(246)** | (257) | **(214)** | (175) | **(21)** | (17) | **8** | 85 |
| – Logistics Africa | **(275)** | (178) | **(138)** | (101) | **(145)** | (162) | | | | | **8** | 85 |
| – Market Access | **(235)** | (192) | | | | | **(214)** | (175) | **(21)** | (17) | | |
| – Logistics International | **(252)** | (235) | **(151)** | (140) | **(101)** | (95) | | | | | | |
| **Pre-tax profits*** | **504** | 1 430 | **(60)** | 745 | **14** | 314 | **475** | 346 | **(120)** | (67) | **195** | 92 |
| – Logistics Africa | **693** | 953 | **417** | 603 | **81** | 258 | | | | | **195** | 92 |
| – Market Access | **355** | 279 | | | | | **475** | 346 | **(120)** | (67) | | |
| – Logistics International | **(544)** | 198 | **(477)** | 142 | **(67)** | 56 | | | | | | |

* Refer to glossary of terms on page 101.

# Annexure B – List of top 10 shareholders and distribution of shareholders

## SHAREHOLDERS

The top 10 shareholders based on the number of shares held in the company at 30 June 2020 were as follows:

| Shareholder | Share class | Number of shares 000 | % of issued voting capital net of treasury shares |
|---|---|---|---|
| Public Investment Corporation | Ordinary | 29 080 | 14,6 |
| M&G Investments (London) | Ordinary | 21 798 | 10,9 |
| Ukhamba Holdings Proprietary Limited | Ordinary | 16 719 | 8,4 |
| Ukhamba Holdings Proprietary Limited | Deferred ordinary | 6 036 | 3,0 |
| PSG Asset Management | Ordinary | 14 696 | 7,4 |
| Ninety One | Ordinary | 9 613 | 4,8 |
| Capital Research Global Investors (Los Angeles) | Ordinary | 9 489 | 4,8 |
| Lynch Family Holding | Ordinary | 7 386 | 3,7 |
| De Canha Family Holding | Ordinary | 6 404 | 3,2 |
| LSV Asset Management (Chicago) | Ordinary | 6 163 | 3,1 |

| Distribution of shareholders (listed ordinary shares) | Number of shareholders | Number of shares 000 | % of issued voting capital |
|---|---|---|---|
| Public shareholders | 5 644 | 142 250 | 70,4 |
| Non-public shareholders | | | |
| – Shareholder holding more than 10% | 2 | 50 877 | 25,1 |
| – Directors, their associates and employees | 4 | 354 | 0,2 |
| – Treasury shares | 2 | 8 593 | 4,3 |
| | 5 652 | 202 074 | 100,0 |

# Glossary of terms

| | |
|---|---|
| Asset intensity | • revenue as a percentage of (PPE + transport fleet + net working capital). |
| Earnings yield (%) | • the headline earnings per share divided by the closing price of a share. |
| EBITDA | • profit from operations before depreciation and recoupments. |
| EBITDA used for bank covenants | • earnings after non-controlling interest before interest taxes and depreciation |
| Continuing free cash conversion | • calculated by dividing continuing EBITDA less continuing capital expenditure by continuing EBITDA. |
| Free cash flow | • calculated by deducting replacement capital expenditure and lease payments from the cash flow from operating activities. |
| Free cash flow from continuing operations to headline earnings from continuing operations ratio | • free cash flow from continuing operations divided by headline earnings from continuing operations. |
| Free cash flow per share | • calculated by dividing free cash flow by the weighted average number of shares used in the basic earnings per share calculation. |
| Margin above WACC % | • is the difference between ROIC and WACC. |
| Net asset value per share | • equity attributable to owners of Imperial divided by total ordinary shares in issue net of shares repurchased (the deferred ordinary shares only participate to the extent of their par value of 0,04 cents). |
| Net debt | • is interest-bearing borrowings, less cash resources. |
| Net debt to EBITDA used for bank covenants | • net bank debt divided by EBITDA used for bank covenants. |
| Net debt excluding lease obligations (IFRS 16 lease liability) | • is interest-bearing borrowings, less lease obligations, and cash resources. |
| Net debt:equity % (excluding lease liability) | • net debt excluding lease obligations as a percentage of equity. |
| Net debt:equity % (including lease liability) | • net debt as a percentage of equity. |
| Net capital expenditure | • is the aggregate of the expansion and replacement capital expenditure net of proceeds on sale. |
| Net working capital | • is inventories plus trade, other receivables and contract assets less trade and other payables and provisions. |
| Net income tax (liabilities) assets | • current tax assets less current tax liabilities plus deferred tax assets less deferred tax liabilities. |
| Operating assets | • total assets less loans receivable, tax assets and assets of disposal group. |
| Operating liabilities | • total liabilities less interest-bearing borrowings, tax liabilities and put option liabilities. |
| Operating margin (%) | • operating profit as a percentage of revenue. |
| Operating profit | • profit from business operations (gross profit minus operating expenses and depreciation). |
| Operating profit to average net operating assets (%) | • operating profit divided by average net operating assets. |
| Pre-tax profit | • calculated as profit before tax, impairment of goodwill and profit or loss on sale of investment in subsidiaries, associates and joint ventures and other businesses. |
| Price earnings ratio (times) | • the closing price of a share divided by the headline earnings per share. |
| Pro forma information | • pro forma financial information is the result of adjusting information about the group at a specific date or for a particular period. |
| Return on invested capital (ROIC) (%) | • this is the return divided by invested capital.<br>• return is calculated by reducing the operating profit by a blended tax rate, which is an average of the actual tax rates applicable in the various jurisdictions in which Imperial operates, increased by the share of results of associates and joint ventures.<br>• invested capital is a 12-month average of total equity plus interest-bearing borrowings less cash resources. |

# Glossary of terms continued

| | |
|---|---|
| **Return on average ordinary shareholders' interest (%)** | • net profit attributable to owners of Imperial divided by average shareholders' equity (calculated by using the opening and closing balances) attributable to Imperial shareholders. |
| **Revenue relating to sale of goods to average inventory (times)** | • revenue relating to sale of goods divided by average inventory. |
| **Revenue to average net operating assets (times)** | • revenue divided by average net operating assets. |
| **Total taxes and levies paid** | • made up of South African normal tax, secondary tax on companies, foreign tax, rates and taxes, skills development and unemployment insurance fund levies. |
| **Total market capitalisation at closing prices (Rm)** | • total ordinary shares in issue before treasury shares multiplied by the closing price per share. |
| **Weighted average cost of capital (WACC) (%)** | • calculated by multiplying the cost of each capital component by its proportional weight, therefore: WACC = (after tax cost of debt % multiplied by average debt weighting) + (cost of equity multiplied by average equity weighting). The cost of equity is blended recognising the cost of equity in the different jurisdictions in which Imperial operates. |

# Corporate information

## Imperial Logistics Limited

Registration number: 1946/021048/06
Ordinary share code: IPL
ISIN: ZAE000067211

### Directors

P Langeni# (Chairman), M Akoojee (Group Chief Executive Officer), GW Dempster## (Lead independent director), P Cooper##, RJA Sparks##, B Radebe##, D Reich##*, JG de Beer (Group Chief Financial Officer)

# Non-executive
## Independent non-executive
* Swiss

### Company Secretary

RA Venter

### Chief Corporate Affairs and Investor Relations Officer

E Mansingh

### Business address and registered office

Imperial Logistics Limited
Jeppe Quondam
79 Boeing Road East
Bedfordview, 2007

### Share transfer secretaries

Computershare Investor Services Proprietary Limited
1st Floor, Rosebank Towers
15 Biermann Avenue, Rosebank, 2196

### Auditor

Deloitte & Touche
5 Magwa Crescent
Midrand
South Africa
2066

### Sponsor

Merrill Lynch SA Proprietary Limited
The Place, 1 Sandton Drive
Sandton, 2196

The results announcement is available on the Imperial website: **www.imperiallogistics.com/inv-annuals.php**

**www.imperiallogistics.com**

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