Imperial™

beyond possibility

Unaudited interim results

for the six months ended
31 December 2019

Contents

www.imperiallogistics.com

IMPERIAL LOGISTICS LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1946/021048/06
ISIN: ZAE000067211
Share code: IPL
(Imperial or company or group)

Imperial is an African and European focused logistics provider of outsourced, integrated freight management, contract logistics and market access services. Ranked among the top 30 global logistics providers, the group is listed on the JSE in South Africa and employs over 27 000 people in 32 countries. With a focus on five key industry verticals – automotive, chemicals, consumer, healthcare and industrial – the group's deep experience and ability to customise solutions ensures the ongoing relevance and competitiveness of its clients.

Imperial™
beyond possibility

Continuing revenue

↑ 1% to R25,4 billion

Continuing operating profit

↑ 9% to R1,6 billion

Continuing headline earnings per share (HEPS)

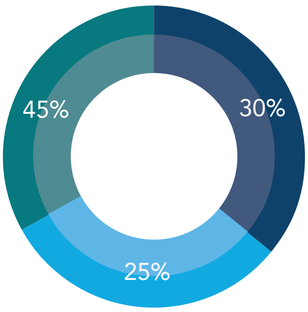
↑ 10% to 371 cents per share

Continuing earnings per share (EPS)

↑ 12% to 372 cents per share

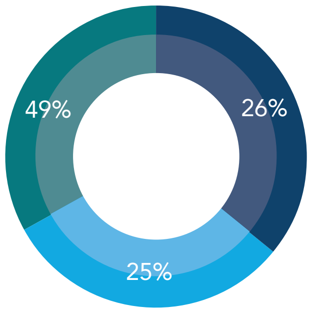
Divisional revenue

December 2019



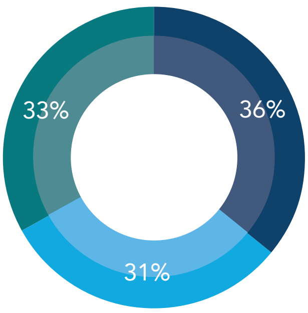
- South Africa
- African Regions
- International

December 2018



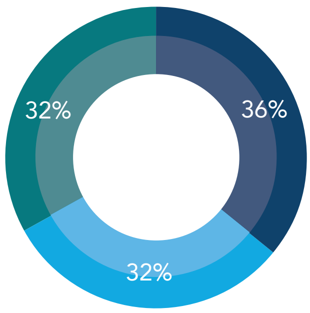
Divisional operating profit

December 2019



- South Africa
- African Regions
- International

December 2018



Free cash conversion

72%

(H1 F2019: 75%)

Net debt:EBITDA (excluding IFRS 16)

2,0x

(H1 F2019:1,5x)

ROIC of

10,0% **against**

WACC of 8,0%

(H1 F2019: ROIC of 10,5% versus WACC of 8,3%)

Interim cash dividend

167 cents

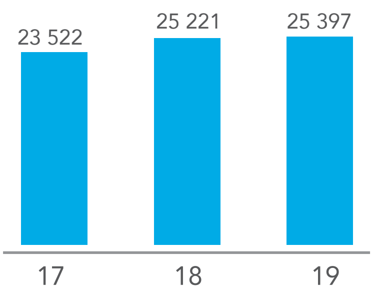
per share

(H1 F2019: 135 cps); 45% of continuing HEPS

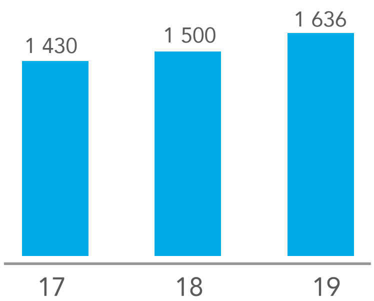
Note: Return on invested capital (ROIC) and weighted average cost of capital (WACC) are calculated on a rolling 12-month basis. Comparatives have been restated for IFRS 16 – Leases and December 2018 was also represented for the consumer packaged goods business in South Africa (CPG) – under discontinued operations.

Total group – continuing operations

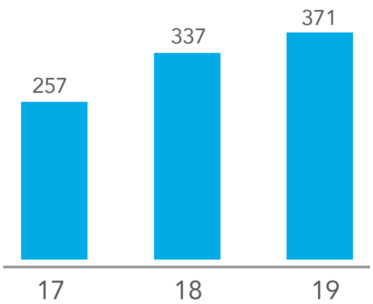
Revenue
Rm



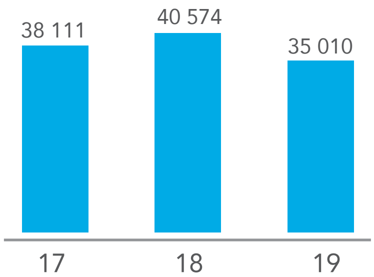
Operating profit
Rm



Headline earnings per share
Cents



Total assets
Rm



Imperial delivered a good performance – growing revenue and operating profit from continuing operations by 1% and 9% respectively. Results benefited from new contract gains and the benefits of the rationalisation and cost cutting in South Africa and International in F2019, despite increasingly challenging trading conditions in most of its markets that negatively impacted volumes across most businesses. Our balance sheet management remained sound, with significant capacity to achieve our organic and acquisitive growth strategies.

> Continuing revenue generated outside South Africa was R17,8 billion and accounted for 70% of group revenue compared to R18,7 billion in the prior period (H1 F2019: 74% of group revenue).

> Continuing operating profit generated outside South Africa was R1,1 billion and accounted for 64% of group operating profit, up 10% compared to R1,0 billion generated in the prior period (H1 F2019: 64% of group operating profit).

> Continuing operating margin improved from 5,9% in the prior period to 6,4%.

> Imperial's contract renewal rate across our divisions on existing contracts is c.80%, with an encouraging pipeline of new opportunities, supported by a good new contract gain rate in all three divisions despite macro-economic challenges.

> New business revenue of approximately R5,8 billion p.a. was secured to the end of December 2019.

> Net working capital of R2 088 million improved by 16% compared to R2 492 million at December 2018 but increased by 54% compared to the working capital at 30 June 2019 largely due to seasonal factors as previously experienced and new contract gains. Net working capital was in line with our guidance of 4% to 5% of revenue.

> Net capital expenditure of R815 million increased from R700 million in H1 F2019 but was significantly lower than depreciation. Due to the implementation of IFRS 16 depreciation includes the depreciation of the right-of-use assets, whereas capital expenditure does not include this. Excluding the depreciation of the right-of-use assets, capital expenditure exceeded depreciation due to investment in support of new contract gains.

> Net debt (excluding lease obligations) of R7,4 billion increased by 29% compared to June 2019, mainly impacted by working capital movements, increased capital expenditure and once-off effects of CPG. A summary of the movements in debt is provided in the group financial performance section.

> Free cash flow including CPG decreased to an outflow of R565 million from a cash inflow of R255 million for the six months ending 31 December 2018. This outflow is largely driven by CPG which incurred a cash outflow of R595 million as it is in the closure process. Free cash flow excluding CPG decreased to an inflow of R30 million from a cash inflow of R58 million for the six months ending 31 December 2018.

> Discontinued operations: The unbundling of Motus was concluded in November 2018 and Motus is thus presented as a discontinued operation in the comparative results. The CPG business in South Africa was classified as a discontinued operation towards the end of the June 2019 financial year and while this business was exited in November 2019, it is still currently being wound down. No further trading losses will be incurred from CPG in H2 F2020. Total basic HEPS was therefore down 77% to 190 cents per share and total basic EPS down 93% to 223 cents per share, which included contributions from CPG in the current period and contributions from both CPG and Motus in the prior period.

> IFRS 16 – Leases standard was adopted with effect from 1 July 2019 using the full retrospective approach; comparatives have therefore been restated. The impact of IFRS 16 to equity at 1 July 2018 is a reduction of R403 million. On this date, right-of-use assets amounting to R5 335 million and lease obligations amounting to R5 850 million were recognised, as well as the deferred taxation related to the recognition of these balances.

Note: Comparatives have been restated for IFRS 16 – Leases and December 2018 was also represented for the CPG discontinued operation.

Regional operating context

Imperial's activities for continuing operations on the African continent produced 55% and 67% of revenue and operating profit respectively during the six months to December 2019, with the remainder generated mainly in the Eurozone and United Kingdom (UK).

Across regions, our businesses were exposed to heightened difficult economic and trading conditions across all markets, with minimal recovery expected in the short term. The benefits of significant rationalisation and cost cutting in the previous financial year and new contract gains assisted our businesses in mitigating the impact of this challenging trading environment.

South Africa

R7,6 billion or 30% of group revenue and R579 million or 36% of group operating profit was generated by this division in the six months to 31 December 2019. Persistently weak economic conditions, high unemployment and the resultant low-consumer spending continued to negatively impact volumes – with this trend likely to continue into the foreseeable future. The impact of load shedding further added to the pressure on our businesses. This division was also exposed to an increasingly competitive environment, where we continue to face margin pressures on contract renewals.

Despite this challenging context, the South Africa division performed well during the period. Supported by new business – and increasing revenue and operating profit – the division demonstrated its resilience in challenging trading conditions. The division has a healthy new business pipeline on the back of outsourcing opportunities in a largely fragmented market where existing and new clients want to focus on their core business and eliminate costs from their supply chain.

Rest of Africa

Our primary positioning as a leading distributor in the healthcare and consumer space continues to stand us in good stead in the rest of Africa where R6,4 billion or 25% of group revenue and R511 million or 31% of group operating profit was generated for the six months – despite mixed trading conditions on the continent, subdued growth and lower-consumer spending in certain countries of operation.

In the healthcare segment, the businesses in West Africa delivered an excellent performance, as did Imres with a record order book.

Factors negatively impacting performance included the ongoing economic recessionary conditions in Namibia resulting in reduced volumes in our consumer business; increasingly poor economic conditions in Zimbabwe which resulted in significantly lower cross-border volumes; and a slow economic recovery and an increasingly competitive market in Kenya.

Notwithstanding these mixed trading conditions across the continent, African Regions maintained revenue and increased operating profit for the six months to 31 December 2019.

We remain positive on the rising consumerism, urbanisation and increasing demand for quality healthcare and consumer goods on the continent, where we are well placed to benefit from our market access services offering to healthcare and consumer principals.

Eurozone and UK

Our international operations generated R11,4 billion or 45% of group revenue and R545 million or 33% of group operating profit in the six months to 31 December 2019. In Europe, certain sectors in which we operate – such as steel, chemicals and automotive – remain under pressure. While Germany – our largest market – avoided entering a recession, trading conditions are increasingly deteriorating, resulting in a decline in volumes across our key industries, offset by new contract gains and cost-cutting initiatives.

In the UK, Brexit continues to increase economic and political uncertainty, with the potential risk of depressing consumer demand and activity – an ongoing risk to the volumes of our express palletised distribution business (Palletways).

Key industry verticals: trends and context

Tough trading across all industry verticals saw a decline in volumes in most of our markets of operation. The impact of this was somewhat mitigated by new contract gains and robust contract renewal rates.

Healthcare

This segment achieved double-digit revenue growth versus the prior period, maintaining or growing market share and securing new business. Our businesses in both East and West Africa grew revenue despite continuing challenging economic conditions, increasingly competitive markets and ongoing margin pressures.

We thus remain optimistic about the healthcare environment in Africa. The trends of rising consumerism, government health expenditure, urbanisation, favourable population demographics and strengthening of healthcare systems are all positive in terms of greater demand for quality healthcare. The continuing focus above country and at government level on developing universal health coverage – and the increasing access to medicines that will bring – will be an important driver of growth. In several countries (including Kenya and Nigeria), consolidation of healthcare channels can bring efficiencies as we strive to connect more and more patients to quality healthcare products.

The dynamics of the regulatory environment – which includes global serialisation regulations, variability in requirements between countries and pro-national regulations – and the emerging issue of substandard health products, are just a few examples of where we will pursue additional growth opportunities. We will likewise look to fully leverage synergies between our consumer and healthcare businesses and invest in new capabilities, technology and geographies – leveraging the significant footprint we already have in Anglophone sub-Saharan Africa and our unique capabilities in this sector to provide a pan-African solution for pharma companies looking to access the fast-growing healthcare markets in rest of Africa.

Our medical supplies and kitting business, Imres, has increased its kitting capacity to meet additional global demands – positioning it well in entering into new contracts with large global donor aid organisations.

Consumer

Despite difficult trading conditions and decreased volumes in this sector in South Africa, significant new business was secured in the period under review. As previously communicated, Imperial exited the multiprincipal distribution model in CPG in South Africa and redirected its focus on the dedicated contracts component of the consumer business – accordingly retaining c.80% of the contracts (revenue) with ambient clients. Sluggish retail sales – resulting in store consolidation, range rationalisation and volume declines – have resulted in increased focus on new business opportunities, alongside the ongoing importance of contract renewal.

Within the African Region's context, many suppliers continue to focus on depth of distribution as a way to extract value for their business and increase both volumes and profitability. The largely untapped informal retail market is particularly attractive, in which we offer market access scale, reach, expertise and track record. With data critical to both streamlining distribution and reducing costs, this is also increasingly an area of which our ability and expertise are significantly strengthened.

E-commerce remains pivotal to the future growth of this sector and we are accordingly developing competencies and solutions in this segment.

Automotive

Notwithstanding declining volumes, our diverse expertise and longstanding experience in this vertical was evidenced in the new business won in the period under review. With successful implementations undertaken for both longstanding and new clients, we are currently working alongside both to determine future opportunities within new regions of operation.

Electrification remains the key disruptor in this sector – alongside the ongoing, severe cost-cutting measures being undertaken by original equipment manufacturers (OEMs) and related partners. Our diverse portfolio and notable track record ensure we remain well positioned to both leverage and withstand these trends. Opportunities in the European and Chinese car battery, aftermarket parts and tyre sectors, for example, are being explored to mitigate ongoing volume declines and will serve to deliver future growth amid the cost cutting and investment shifts evident in this industry.

Chemicals and energy

Our combination of scale, reach, expertise and technology served as a buffer against volume declines and we realised new business gains in this sector. With much of our revenue generated under long-term contracts, our performance remains resilient in an industry characterised by diverse economic cycles.

Our well-established leadership position in this industry – in Germany and the Netherlands, in particular – sees us well placed to leverage the opportunities associated with the global transition to renewable energy sources. Lithium battery logistics, for example, are highly complex in terms of storage, transport, pre-loading and recycling. Here our dangerous goods expertise is invaluable in developing end-to-end supply chain solutions that mitigate risk and optimise our clients' lithium battery value chain.

Our rapid pace of innovation likewise differentiates us in this sector and we continue to work alongside clients to future proof their supply chains – solving complex problems with sophisticated, customised solutions underpinned by our digitalisation and data science expertise.

Imperial is a significant player in the bulk and packed fuel and gas sector in South Africa and is also a primary supplier of fuels into various countries in sub-Saharan Africa – ensuring that the highest standards in terms of health, safety, security and environmental practices in our chemical logistics activities are maintained at all times.

Industrial and mining

Despite a decline in volumes, new business opportunities were won in the period under review. With industrial supply chains typically multifaceted – encompassing vendors, labour, manufacturers, assets, technologies, data and other resources – our proven ability to provide clients with integrated, end-to-end solutions continues to provide a competitive advantage. With both national and multinational companies accordingly preferring to partner with large, multimodal service providers to manage these multiple aspects of their supply chain, we will continue to drive cross selling and increase our share of wallet within our existing client base – further investing in strategic account management teams and senior-level sales talent in both 4PL services and contract logistics.

The rapid pace of automation and technological innovation in this vertical provides us with ongoing opportunities to guide clients in applying cutting-edge thinking in order to develop resilient and thriving supply chain and commercial practices. Robotics, machine learning and systems engineering are all areas within which we are investing and actively acquiring practical knowledge for client benefit. Initiatives and active research on solutions involving advanced automation and intelligent machines will continue – including the potential of robots and cobots (collaborative robots); automated sortation systems; automated guided vehicles; and goods-to-person systems.

In mining, our solutions are focused predominately in Southern Africa, where Imperial provides transportation solutions for bulk commodities like iron ore into manufacturing facilities and the delivery of chrome, magnetite and magnesium into export ports and terminals. Imperial Advance, our strategic broad-based black economic empowerment (BBBEE) entity specialising in the mining, chemical and energy sectors has established a strong sales pipeline during the past six months.

South Africa (continuing operations)

	HY1 2020	HY1 2019*	% change on HY1 2019	HY2 2019*	% change on HY2 2019
Revenue (Rm)	7 640	6 737	13	6 637	15
EBITDA (Rm)	979	912	7	897	9
Operating profit (Rm)	579	534	8	477	21
Operating margin (%)	7,6	7,9		7,2	
Return on invested capital (%)	11,8	11,2			
Weighted average cost of capital (%)	8,9	10,1			
Net debt (Rm)	4 251	4 306	(1)		
IFRS 16 lease liability included above (Rm)	1 680	2 258	(26)		
Net debt excluding IFRS 16 lease liability (Rm)	2 571	2 048	26		
Net working capital (Rm) including CPG	(60)	745	(108)		

Freight management	HY1 2020	HY1 2019*	% change on HY1 2019
Revenue (Rm)	4 355	4 190	4
EBITDA (Rm)	625	526	19
Operating profit (Rm)	409	345	19

Contract logistics	HY1 2020	HY1 2019*	% change on HY1 2019
Revenue (Rm)	3 072	2 280	35
EBITDA (Rm)	405	404	
Operating profit (Rm)	223	208	7

Market access	HY1 2020	HY1 2019*	% change on HY1 2019
Revenue (Rm)	213	267	(20)
EBITDA (Rm)	(51)	(18)	183
Operating loss (Rm)	(53)	(19)	(179)

Note: Continuing operations

** Prior year numbers have been restated for the impact of IFRS 16 – Leases where applicable and represented for CPG discontinued operations.*

Notwithstanding the difficult, low-growth and increasingly competitive trading environment, the South Africa division – increased both revenue and operating profit by 13% and 8% respectively. These results were supported by new contract gains of c.R2,1 billion annualised revenue; retention of Consumer Packaged Goods (CPG) contracts that are now operating under more viable commercial terms; and the benefit of cost-saving initiatives undertaken in F2019. Lower volumes and margins in the healthcare business and contract renewals at lower margins due to the competitive environment impacted performance negatively.

As a leading player across the logistics value chain in the industries in which we operate, freight management recorded revenue and operating profit growth of 4% and 19% respectively, supported by the benefits of cost-cutting initiatives. Revenue and operating profit growth of 35% and 7% respectively were recorded in contract logistics resulting mainly from new business gains.

Revenue and operating profit generated by market access activities in healthcare declined due to the underperformance of Pharmed. We have taken numerous corrective actions to ensure that Pharmed can remain viable for operation. These include reducing our cost to serve, heightened attention to driving sales, and increasing service delivery levels. We will continue to monitor the progress and viability of this business.

As previously communicated, the ambient business within CPG ceased trading at the end of September 2019 and we sold the cold business to Vector Logistics in November 2019. We retained over 1 800 employees (excluding staff in the Cold business) and approximately 80% (revenue) of contracts from the ambient business. These contracts and staff have been accommodated mainly in the Dedicated Contracts and Health Sciences businesses. As the contracts are being transitioned – the full benefit will only be realised from the 2021 financial year. The CPG closure costs previously communicated (an impairment of assets including goodwill of c.R590 million and provisions for closure costs of c.R850 million post-tax) remain unchanged. CPG incurred a cash outflow of R595 million as the closure process is being concluded. No further trading losses will be incurred from CPG in H2 2020.

Net capital expenditure, excluding IFRS 16, increased from R404 million in the prior period to R463 million mainly due to expansion of the fleet to accommodate new contracts.

ROIC improved to 11,8% from 11,2% of the prior period and is in line with the target hurdle rate of WACC +3%.

African Regions (continuing operations)

	HY1 2020	HY1 2019*	% change on HY1 2019	HY2 2019*	% change on HY2 2019
Revenue (Rm)	6 359	6 339		5 766	10
EBITDA (Rm)	606	569	7	433	40
Operating profit (Rm)	511	479	7	338	51
Operating margin (%)	8,0	7,6		5,9	
Return on invested capital (%)	15,9	16,4			
Weighted average cost of capital (%)	13,4	13,2			
Net debt (Rm)	1 724	1 608	7		
IFRS 16 lease liability included above (Rm)	436	447	(2)		
Net debt excluding IFRS 16 lease liability (Rm)	1 288	1 161	11		
Net working capital (Rm)	1 584	1 561	1		

Freight management	HY1 2020	HY1 2019*	% change on HY1 2019
Revenue (Rm)	536	640	(16)
EBITDA (Rm)	41	62	(34)
Operating profit (Rm)	23	30	(23)

Contract logistics	HY1 2020	HY1 2019*	% change on HY1 2019
Revenue (Rm)	345	583	(41)
EBITDA (Rm)	(2)	33	(106)
Operating (loss) profit (Rm)	(18)	29	(162)

Market access	HY1 2020	HY1 2019*	% change on HY1 2019
Revenue (Rm)	5 478	5 116	7
EBITDA (Rm)	567	474	20
Operating profit (Rm)	506	420	20

Note: Continuing operations

** Prior year numbers have been restated for the impact of IFRS 16 – Leases where applicable.*

African Regions delivered a good performance – maintaining revenue and increasing operating profit by 7% – despite mixed trading conditions across the region.

This division is a leading player in market access – mainly in healthcare and consumer in Southern, East and West Africa – which accounts for 86% of its revenue and 99% of its operating profit.

The market access business in healthcare in West Africa recorded excellent growth. Results were also supported by an excellent performance from Imres which contributed to the increase in the division's margin to 8,0% from 7,6% in the prior period. The consumer business in Mozambique continues to secure new business and also contributed positively. Overall, African Regions secured new contract gains of c.R1,5 billion annualised revenue during the period.

African Regions' revenue and operating profit for the period was negatively impacted by the absence of Resolve Africa's once-off project work which was included in the prior period. The division's results were also partially offset by under performance from the market access healthcare business in Kenya – impacted by a slow economic recovery and an increasingly competitive market. The market access consumer business in Namibia was negatively impacted by tough trading conditions. The cross-border freight management business underperformed mainly due to increasingly poor economic conditions in Zimbabwe resulting in significantly lower cross-border volumes.

Revenue and operating profit in contract logistics declined compared to the prior period, impacted negatively by substantially lower volumes from global aid organisations on the back of the loss of the donor aid contract as previously reported.

Net capital expenditure, excluding IFRS 16, of R55 million was incurred during period (H1 F2019: R26 million).

ROIC at 15,9% remains healthy and is in line with the target hurdle rate of WACC +3%.

International (continuing operations)

	HY1 2020	HY1 2019*	% change on HY1 2019	HY2 2019*	% change on HY2 2019
Revenue (€m)	702	760	(8)	757	(7)
EBITDA (€m)	84	79	6	79	6
Operating profit (€m)	34	30	13	28	21
Operating margin (%)	4,8	3,9		3,7	
Revenue (Rm)	11 435	12 412	(8)	12 128	(6)
EBITDA (Rm)	1 365	1 286	6	1 261	8
Operating profit (Rm)	545	486	12	457	19
Operating margin (%)	4,8	3,9		3,8	
Return on invested capital (%)	7,4	8,9			
Weighted average cost of capital (%)	5,6	6,5			
Net debt (€m)	428	426			
IFRS 16 lease liability included above (€m)	194	233	(17)		
Net debt excluding IFRS 16 lease liability (€m)	234	193	21		
Net working capital (€m)	44	28	57		

Freight management	HY1 2020	HY1 2019*	% change on HY1 2019
Revenue (€m)	460	519	(11)
EBITDA (€m)	57	54	6
Operating profit (€m)	29	26	12

Contract logistics	HY1 2020	HY1 2019*	% change on HY1 2019
Revenue (€m)	242	241	–
EBITDA (€m)	27	25	8
Operating profit (€m)	5	4	25

Note: Continuing operations
** Prior year numbers have been restated for the impact of IFRS 16 – Leases where applicable.*

In increasingly challenging trading conditions in Europe this division decreased revenue by 8% but increased operating profit by 13% in Euro terms. The decline in revenue was mainly as a result of the impact of low-water level surcharges which resulted in increased billings and subcontractor costs in the prior period. Excluding this impact, revenue grew by 3% in Euro terms.

Results for the six months were supported by the benefits of the significant cost-cutting initiatives in the prior period, contract renewals and new business gains of c.R2,2 billion annualised revenue.

Revenue generated by freight management declined by 11% mainly due to low water level surcharges in shipping. However, operating profit increased mainly due to improved profitability from the express palletised business as corrective measures taken to eliminate costs, changing our pricing model to address the increased costs caused by the network imbalance and appointing additional members, reaped benefits. The shipping business in Europe and South America also contributed positively to operating profit growth.

Contract logistics maintained revenue, impacted negatively by lower volumes in the chemicals business. Contract logistics increased operating profit due to the automotive business benefiting from new contract gains, improved pricing and cost reduction benefits.

The ROIC of 7,4% declined from 8,9% mainly due to a weak H2 F2019 performance resulting from once-off costs but remains in line with the target hurdle rate of WACC +2%.

Net capital expenditure, excluding IFRS 16, of R278 million increased marginally from R240 million in H1 F2019 and included the replacement of specialised chemical and gas fleet.

GROUP PROFIT OR LOSS (EXTRACTS)

Rm	December 2019	December 2018~	% change
CONTINUING OPERATIONS			
Revenue	25 397	25 221	1
EBITDA	2 955	2 768	
Depreciation, amortisation, impairments and recoupments	(1 319)	(1 268)	
Operating profit	1 636	1 500	9
Margin (%)	*6,4*	5,9	
Recoupments from sale of properties, net of impairments	15	4	
Amortisation of intangible assets arising on business combinations	(174)	(196)	
Foreign exchange gain (loss)	18	(23)	
Business acquisition cost	(14)	(7)	
Net finance cost	(338)	(298)	13
Share of results of associates and joint ventures	8	32	
Profit before tax (PBT) (before exceptional items)	1 151	1 012	14
Exceptional items	(8)	(1)	
Profit before tax	1 143	1 011	
Income tax expense	(360)	(297)	
Profit for the year from continuing operations	783	714	10
Effective tax rate (%)	*31,1*	30,1	
DISCONTINUED OPERATIONS	(283)	5 160	(105)
CPG	(283)	(80)	
Motus		5 240	
Net profit for the year	500	5 874	
Net profit attributable to:			
Owners of Imperial	423	5 808	
– Continuing operations	706	649	
– Discontinued operations	(283)	5 159	
Non-controlling interest	77	66	
– Continuing operations	77	65	
– Discontinued operations		1	
ROIC (%)	10,0	10,5	
WACC (%)	8,0	8,3	
Margin above WACC (%)	2,0	2,2	

~ Restated for IFRS 16 – Leases and represented for CPG discontinued operations.

Operating profit from continuing operations increased by 9%, positively impacted by strong double-digit growth in revenue in South Africa which translated into positive growth in operating profit; strong growth in the healthcare business in African Regions mainly in West Africa and Imres; and improved margins in the International division.

The R139 million increase in profit before tax to R1 151 million (before exceptional items) is mainly attributed to:
> the increase in operating profit;
> a decrease in the amortisation of intangibles arising on business combinations as certain intangible assets were fully amortised in the prior period;
> foreign exchange gains compared to a loss in the prior period; and
> partially offset by an increase in net finance costs mainly due to the once-off gain that arose on the redemption of the preference shares of R63 million in the prior period, that resulted in a reduction to finance cost.

Exceptional items comprised mainly of minor goodwill impairments.

Significant contributors to the higher effective tax rate were deferred tax assets that were not recognised for some loss-making entities and non-deductible expenses.

The loss from discontinued operations comprises CPG in the current period and both Motus and CPG in the prior financial year.

The increase in non-controlling interests resulted mainly from the increase in the share of profits by non-controlling interest in the Nigerian healthcare business, Eco Health, and Imres in African Regions; Imperial Advance and Itumele Bus Services in South Africa; and Palletways in the International division – offset partially by an increase in the non-controlling share of losses in Pharmed in South Africa.

EARNINGS AND HEADLINE EARNINGS PER SHARE

Cents	December 2019	December 2018~	% change
Earnings per share	223	2 978	(93)
Imperial Logistics	223	291	(23)
Continuing operations	372	332	12
Discontinued operations (CPG)	(149)	(41)	263
Motus		2 687	
Headline earnings per share	190	836	(77)
Imperial Logistics	190	297	(36)
Continuing operations	371	337	10
Discontinued operations (CPG)	(181)	(40)	353
Motus		539	

FINANCIAL POSITION

Rm	December 2019	June 2019~	% change
Goodwill and intangible assets	6 743	6 719	
Investment in associates and joint ventures	503	520	(3)
Property, plant and equipment	2 630	2 647	(1)
Transport fleet	5 787	5 452	6
Right-of-use assets	4 714	4 780	(1)
Investments and other financial assets	192	225	(15)
Net working capital	2 088	1 354	54
Assets of disposal groups	171	296	(42)
Retirement benefit obligations	(1 314)	(1 343)	(2)
Net debt excluding lease obligations	(7 401)	(5 745)	29
Lease obligations	(5 159)	(5 969)	(14)
Other financial liabilities	(1 117)	(1 075)	4
Net current tax assets	400	384	4
Total equity	8 237	8 245	
Total assets	35 010	36 146	(3)
Total liabilities	(26 773)	(27 901)	(4)
Net debt:equity (%) (excluding lease obligations)	89,9	69,7	
Net debt:equity (%) (including lease obligations)	152,5	142,1	

~ *Restated for IFRS 16 – Leases and represented for CPG discontinued operations.*

The significant variances on the financial position at 31 December 2019 when compared to 30 June 2019 are explained as follows:

> Investments and other financial assets decreased mainly due to the delivery of Motus shares to participants of the deferred bonus plan (DBP) scheme that settled in September 2019.
> The increase in other liabilities is mainly due to an increase in contingent consideration relating to the purchase of Axis Group International in African Regions – partially offset by a decrease in the put option liability as a result of minority buyouts in Eco Health.
> The increase in net working capital is mainly as a result of increased sales in the African Regions' healthcare business and new contract gains in South Africa. Net working capital has, however, declined when compared to the working capital at 31 December 2018 of R2 492 million. The decline from December 2018 is explained by the provisions raised in CPG. Net working capital was in line with our guidance of 4% to 5% of revenue.
> The movement in net debt excluding lease liabilities is explained in the cash flow summary that follows.
> The decrease in the lease liability is mainly due to lease payments amounting to R1 138 million during the period offset partially by new leases that were capitalised during the period.

Movement in total equity for the six months to 31 December 2019

Total equity of R8 237 million decreased by R410 million from R8 647 million previously reported on 30 June 2019.

The following details the changes in equity during the year:

Changes in equity for the period to December 2019	2019 Rm
IFRS 16 adjustment to opening equity at 1 July 2019	(402)
Comprehensive income	458
Net profit attributable to Imperial shareholders	423
Net profit attributable to non-controlling interests	77
Decrease in the foreign currency translation reserve	(52)
Increase in the hedge accounting reserve	10
Movement in share-based reserve net of transfers to retained earnings	67
Ordinary dividend paid	(208)
Repurchase of Imperial Logistics shares	(225)
Non-controlling interest acquired, net of disposals and shares issued	19
Net decrease in non-controlling interests through buyout	(45)
Non-controlling interests' share of dividends	(74)
Total decrease	(410)

CASH FLOW SUMMARY TO DECEMBER 2019 INCLUDING CPG IN BOTH PERIODS EXCLUDING MOTUS IN THE COMPARATIVE PERIOD

Rm	December 2019	December 2018
Cash flows from operating activities		
Cash generated by operations before movements in net working capital	2 682	2 986
Movements in net working capital	(1 094)	(577)
Cash generated by operations before interest and taxes paid	1 588	2 409
Net finance cost	(422)	(443)
Tax paid	(261)	(363)
Cash generated by operations	905	1 603
Cash flows from investing activities		
Net acquisition of subsidiaries and businesses	(75)	
Expansion from capital expenditure – excluding rental assets	(483)	(195)
Net replacement capital expenditure – excluding rental assets	(332)	(505)
Net movement in other associates and joint ventures	39	259
Net movement in investments, loans and non-current financial instruments	14	(115)
Cash utilised in investing activities	(837)	(556)
Cash flows from financing activities		
Hedge cost premium		(62)
Net movement on interest rate and cross-currency swaps	(10)	
Repurchase of ordinary shares	(225)	(91)
Dividends paid	(282)	(274)
Cash resources distributed as part of dividend in specie		(1 058)
Change in non-controlling interests	(80)	(75)
Capital raised from non-controlling interests		200
Settlement of non-redeemable, non-participating preference shares		(378)
Lease obligation payments	(1 138)	(843)
Cash utilised in financing activities	(1 735)	(2 581)
Movement in net debt before currency adjustments	(1 667)	(1 534)
Free cash flow	(565)	255

The following are the significant cash flow items:
Cash generated by operations before movements in net working capital of R2 682 million decreased by R304 million mainly due to cash utilised by operations in CPG increasing compared to December 2018. This will not recur going forward.

An increase in net working capital from 30 June 2019 resulted in a cash outflow of R1 094 million. The increase is mainly attributed to higher trade receivables and inventory levels in the African Regions' healthcare business and new contract gains. Net working capital was in line with our guidance of 4% to 5% of revenue.

Net capital expenditure increased to R815 million from R700 million in H1 F2019 primarily due to higher investment in fleet expansion as a result of the purchase of the Lowveld Buses contract in South Africa, new contract gains and specialised new fleet acquired in International.

Interest of R422 million and tax of R261 million were paid during the six months.

Dividends amounted to R282 million during the period.

Other significant cash outflow items included lease liability payments of R1 138 million, share buybacks of R225 million (at an average share price of R52 per share – six month VWAP), and changes to non-controlling interests of R80 million.

The cash flow benefited from an inflow arising from movements in other associates and joint ventures mainly due to the sale of associates in the South African division during the period.

Free cash flow including CPG decreased to an outflow R565 million from a cash inflow of R255 million for the six months ending 31 December 2018. This outflow is largely driven by CPG which generated a cash outflow of R595 million as it is currently in a closure process. This will not recur going forward. Free cash flow excluding CPG decreased to an inflow of R30 million from a cash inflow of R58 million for the six months ending 31 December 2018.

Liquidity

The group's liquidity position remains strong with R10,6 billion of unutilised banking facilities. 73% of the group debt is long term in nature and 49% of the debt is at fixed rates.

Dividend

An interim cash dividend of 167 cents per ordinary share (before withholding tax) has been declared. The dividend is in line with our targeted pay-out ratio of 45% of continuing HEPS, subject to prevailing circumstances.

Acquisitions

Geka Pharma (Namibia)

The acquisition of a 65% shareholding in Geka Pharma, a distributor of pharmaceutical, medical, surgical and allied products in Namibia for R80 million, which includes a contingent consideration of R31 million, was concluded. Geka Pharma has been supplying pharmaceuticals to the healthcare industry in Namibia for more than 45 years. As previously communicated, this transaction is in line with Imperial's strategy to expand into healthcare to complement its consumer footprint in Namibia. The acquisition, effective 1 January 2020, will create a footprint for Imperial in the healthcare industry in Namibia.

MDS Logistics (Nigeria)

Imperial's acquisition of a further 8% shareholding in MDS Logistics, Nigeria's leading provider of integrated supply chain solutions, was concluded in January 2020. This transaction included Imperial transferring some existing profitable contracts to MDS Logistics, and paying a further USD2.4 million in cash. This takes our shareholding in the business from 49% to 57%. MDS Logistics provides a unique bouquet of logistics solutions through 48 distribution centres and 53 offsite inventory management centres covering over 30 states and a catchment area of over 400 cities and villages. Securing majority control in MDS Logistics will drive integration with Imperial's operations in Nigeria – facilitating the implementation of our value-added logistics offering through an end-to-end solution including transport, warehousing, distribution and market access, and as such leveraging our capabilities in this market.

Consumer business in West Africa

Effective 1 January 2020, Imperial acquired a 51% shareholding in ACP holdings (based in Mauritius) for approximately USD20.3 million, which includes a contingent consideration of approximately USD9.5 million. The trading operations are based in Ghana and are well established as importers and distributors of fast-moving consumer goods. With eight branches across Ghana, the business represents over 30 global brands in various consumer food, beverages and personal care categories. This acquisition is in line with Imperial's strategy to accelerate its growth in Africa, with a strategic focus on the consumer goods and healthcare sectors. Imperial will leverage synergies in the business' expansive Ghanaian network and market access solutions to enhance its capabilities, primarily in healthcare and consumer, in the region. The business currently has direct coverage of over 22 000 retail and wholesale outlets in Ghana and forms an integral part of Imperial's strategy to increase its presence in the burgeoning West African consumer markets.

Axis Group International

Effective the end of December 2019, Imperial acquired a 60% shareholding in Axis Group International which specialises in sourcing and procurement in Asian markets, for a total purchase consideration of USD12 million, which includes a contingent consideration of USD7.3 million. This is a strategically aligned transaction as it will facilitate trade between Imperial's present client base and companies based in China and other Asian markets through the group sourcing and purchasing of products in these markets – and providing market access to companies wanting to trade in these particular regions.

Imperial Sasfin Logistics minority buyout

Imperial recently acquired the remaining minority shares within the entity previously known as Imperial Sasfin Logistics. The change in ownership through this transaction was required to facilitate one of Imperial's strategic objectives to be an international logistics provider managing clients' international freight requirements on a door-to-door basis. The business will be renamed Imperial Clearing and Forwarding.

Strategic positioning

The core strategic focus of Imperial is to grow our African business and align our international portfolio to position the group as the "Gateway to Africa" in the medium term. An integrated logistics and market access offering focused on Africa, leverages our powerful competitive advantages and capabilities which will be concentrated mainly on the healthcare, consumer, chemicals, industrial and automotive industry verticals.

In order to leverage expertise across the business and be a more client driven organisation – and to better position ourselves for the future, given everchanging macro- and industry trends – we are focusing our service offering and positioning our capabilities in these core industry verticals and less so on regions. With a strategy centred on Africa and the growth aspirations of our clients, we are working to achieve a unified group uniquely capable of delivering sustainable growth and targeted returns. Allowing us to more effectively deliver integrated solutions across our networks and regions, this "One Imperial" approach will deepen our competitiveness and relevance – and retain our market and industry legitimacy.

This growth-led strategic focus is supported by the following short term, core strategic initiatives:

> **Growing in Africa** by building on existing and expanding into new capabilities; investing in existing and new geographies that complement our capabilities, industries and client base; and evolving client engagement by investing in technology enablement, industry and capability expertise.

> **Strategically aligning our international portfolio with our core competitive advantage, being Africa** where we are investing in new areas that support our African growth strategy. Through this process we will explore growth opportunities in other emerging and selected developed markets based on the relevance of our capabilities, scale, benefits and client relationships that support trade flows into and out of Africa.

Progress against strategy

Growing in Africa

The African Regions division continued to leverage targeted acquisitions and strategic partnerships with clients and principals. As reported above, four new acquisitions were concluded in the period under review. We also strengthened our healthcare offering with our simplified solutions in healthcare (SSiH) model – which provides a highly efficient way for principals to maintain access to their products across multiple sub-scale markets. We expect to expand this initiative to other principals during the next six months. Furthermore, in support of our clients' growth aspirations, demand generation, light contract manufacturing and brand partnership are among the capabilities we are expanding into the rest of Africa. Leveraging our extensive expertise in healthcare, we have also added sourcing and procurement to other industries.

In South Africa we are expanding our market access capability, focused primarily on healthcare and consumer.

We will be leveraging best-in-class processes, practices and technology across the market access businesses to ensure that we deliver world-class integrated end-to-end solutions to our clients and principals.

Strategically aligning our international portfolio

As previously communicated, we are aligning our international portfolio with our strategic direction and core competitive advantages. We are progressing the disposal of our international shipping business. The market will be kept informed of material developments in this regard. We expect to conclude this process by June 2020 subject to regulatory approvals.

Furthermore, the expansion of specific capabilities through strategic acquisitions and portfolio enhancement – including the potential expansion into freight management (air/ocean) – is being assessed, and the market will be informed as and when any material opportunities have been identified.

People and innovation

Our people and innovation remain critical enablers to our strategy. In order to position Imperial in the pragmatic application of disruptive innovation and new technologies, we established a USD20 million innovation fund in partnership with Newtown Partners. The fund provides a mechanism for effective responses to current and future developments in our industry and invests in high-potential start-ups in relevant supply chain and logistics technology areas. Besides its strategic mandate, the fund will also aim to generate attractive financial returns over its lifetime.

In South Africa, significant progress continues to be made in accelerating transformation (race and gender) with a number of key Black and female management appointments made during the period. We also invested c.R48 million in training and skills development.

Directorate and executive management changes

As previously announced, Ms Bridget Radebe and Mr Dirk Reich were appointed as independent non-executive directors, effective 1 September 2019.

Ms Thembisa Skweyiya resigned from the board on 31 December 2019. The board thanks Ms Skweyiya for her many years of counsel and guidance in her capacity as a non-executive director and wishes her well.

In keeping with Imperial's non-executive director succession planning, Mr Roddy Sparks retired as lead independent director on 30 October 2019. He remains an independent member of the board. Mr Graham Dempster was appointed to succeed Mr Sparks as the lead independent director on the same date.

Ms Bridget Radebe has been appointed to succeed Mr Dempster as chairman of the audit committee from 1 September 2020. Mr Dempster will remain a member of the audit committee.

After 26 years of service to Imperial, Mr Nico van der Westhuizen, a member of the Imperial executive committee, will be stepping down as CEO of Imperial Logistics South Africa at the end of February 2020. He will be retiring from the group at the end of June 2020 to ensure an orderly handover process. The board extends its sincerest thanks and gratitude to Mr van der Westhuizen for his invaluable contribution to the business, and wishes him well in his retirement. Mr Edwin Hewitt has been appointed to succeed Mr van der Westhuizen from 1 March 2020.

Prospects

Based on the first six months of trading, and particularly the increasingly challenging and volatile economic and market conditions in which we operate, our outlook for the financial year to 30 June 2020 is as follows:

We expect Imperial's continuing operations to deliver:

- Single-digit revenue growth compared to the prior year.
- Low double-digit operating profit growth compared to the prior year.
- Low double-digit growth in continuing HEPS compared to the prior year.
- Good free cash flow generation.

The balance sheet of the business remains sound, with sufficient headroom in terms of capacity and liquidity to facilitate our organic and acquisitive growth aspirations.

Mohammed Akoojee	**George de Beer**
Chief executive officer	Chief financial officer

25 February 2020

The forecast financial information herein is the responsibility of the directors and has not been reviewed or reported on by Imperial's auditors.

Declaration of interim ordinary dividend

For the six months ended 31 December 2019 notice is hereby given that a gross interim ordinary dividend in the amount of 167,00000 cents per ordinary share has been declared by the board of Imperial, payable to the holders of the 201 242 919 ordinary shares. The dividend will be paid out of retained earnings.

The ordinary dividend will be subject to a local dividend tax rate of 20%. The net ordinary dividend, to those shareholders who are not exempt from paying dividend tax, is therefore 133,60000 cents per share.

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

	2020
Declaration date	Tuesday, 25 February
Last day for ordinary shares to trade cum ordinary dividend	Tuesday, 17 March
Ordinary shares commence trading ex-ordinary dividend	Wednesday, 18 March
Record date	Friday, 20 March
Payment date	Monday, 23 March

The company's income tax number is 9825178719.

Share certificates may not be dematerialised or rematerialised between Wednesday, 18 March 2020 and Friday, 20 March 2020, both days inclusive.

RA Venter
Group company secretary

25 February 2020

Imperial™
beyond possibility

Condensed consolidated statement of profit or loss

for the six months ended 31 December 2019

Rm	Notes	% change	Six months ended December 2019	Restated six months ended December 2018*	Restated financial year ended June 2019*
CONTINUING OPERATIONS					
Revenue		1	25 397	25 221	49 720
Net operating expenses			(22 442)	(22 453)	(44 367)
Profit from operations before depreciation and recoupments			2 955	2 768	5 353
Depreciation, amortisation, impairments and recoupments			(1 319)	(1 268)	(2 589)
Operating profit		9	1 636	1 500	2 764
Recoupments from sale of properties, net of impairments			15	4	(6)
Amortisation of intangible assets arising on business combinations			(174)	(196)	(400)
Foreign exchange gain (losses)			18	(23)	(47)
Other non-operating items	5		(22)	(8)	(1 107)
Profit before net finance costs			1 473	1 277	1 204
Net finance cost	6	13	(338)	(298)	(661)
Profit before share of results of associates and joint ventures			1 135	979	543
Share of results of associates and joint ventures			8	32	46
Profit before tax			1 143	1 011	589
Income tax expense			(360)	(297)	(478)
Profit for the period from continuing operations		10	783	714	111
DISCONTINUED OPERATIONS			(283)	5 160	3 469
Consumer Packaged Goods (CPG)			(283)	(80)	(1 923)
Motus Holdings Limited				5 240	5 392
Net profit for the period			500	5 874	3 580
Net profit attributable to:					
Owners of Imperial			423	5 808	3 438
– Continuing operations			706	649	(30)
– Discontinued operations			(283)	5 159	3 468
Non-controlling interests			77	66	142
– Continuing operations			77	65	141
– Discontinued operations				1	1
Earnings per share (cents)					
Continuing operations					
– Basic		12	372	332	(16)
– Diluted		11	361	324	(16)
Discontinued operations					
– Basic			(149)	2 646	1 789
– Diluted			(145)	2 576	1 789
Total operations					
– Basic			223	2 978	1 773
– Diluted			216	2 900	1 773

** Restated for the adoption of IFRS 16 – Leases. Refer to note 3. June 2019 was audited pre-restatement, however, the impact of the restatements are unaudited. December 2018 was also represented for the CPG discontinued operations.*

Condensed consolidated statement of comprehensive income

for the six months ended 31 December 2019

Rm	Six months ended December 2019	Restated six months ended December 2018*	Restated financial year ended June 2019*
Net profit for the period	500	5 874	3 580
Other comprehensive income	(42)	761	311
Items that may be reclassified subsequently to profit or loss	(42)	744	386
Exchange (losses) gains arising on translation of foreign operations	(52)	542	215
Movement in hedge accounting reserve	13	179	135
Income tax relating to items that may be classified to profit or loss	(3)	23	36
Items that may not be reclassified subsequently to profit or loss		17	(75)
Remeasurement of defined benefit obligations			(127)
Income tax on remeasurement of defined benefit obligations		17	52
Total comprehensive income for the period	458	6 635	3 891
Total comprehensive income attributable to:			
Owners of Imperial	376	6 552	3 739
Non-controlling interests	82	83	152
	458	6 635	3 891

** Restated for the adoption of IFRS 16 – Leases. Refer to note 3. June 2019 was audited pre-restatement, however, the impact of the restatements are unaudited.*

Earnings per share information

for the six months ended 31 December 2019

Rm	% change	Six months ended December 2019	Restated six months ended December 2018*	Restated financial year ended June 2019*
Headline earnings reconciliation				
Earnings – total operations		**423**	5 808	3 438
– Continuing operations	9	**706**	649	(30)
– Discontinued operations		**(283)**	5 159	3 468
Recoupment from the disposal of property, plant and equipment (IAS 16)		**(41)**	(28)	(47)
Loss on disposal of intangible assets (IAS 38)		**3**		3
Net gain on termination of lease (IFRS 16)				(5)
Impairment of property, plant and equipment (IAS 36)			9	16
Impairment of intangible assets (IAS 36)				6
Impairment of goodwill (IAS 36)		**6**	65	1 139
Impairment of investment in associates and joint ventures (IAS 28)			(65)	26
Loss (profit) on disposal of subsidiaries, associates and businesses (IFRS 10)		**10**	1	(64)
Remeasurements included in share of result of associates				(3)
Tax effects of remeasurements		**10**	26	10
Non-controlling interests' share of remeasurements		**7**	1	16
Post-tax gain on discontinuation of Motus			(4 187)	(4 339)
Post-tax remeasurement of assets of discontinued operations (CPG)		**(59)**		1 084
Headline earnings – total operations		**359**	1 630	1 280
– Continuing operations	7	**701**	658	1 067
– Discontinued operations		**(342)**	972	213
Headline earnings per share (cents)				
Continuing operations				
– Basic	10	**371**	337	550
– Diluted	9	**359**	329	550
Discontinued operations				
– Basic		**(181)**	499	110
– Diluted		**(175)**	485	110
Total operations				
– Basic		**190**	836	660
– Diluted		**184**	814	660
ADDITIONAL INFORMATION				
Dividend per ordinary share (cents)		**167**	135	244
Number of ordinary shares in issue (million)				
– Total shares		**201,2**	202,0	201,2
– Net of shares repurchased		**192,7**	199,5	196,3
– Weighted average for basic		**189,3**	195,0	193,9
– Weighted average for diluted		**195,4**	200,3	193,9
Number of other shares (million)				
– Deferred ordinary shares to convert to ordinary shares (included in basic and diluted weighted average shares)		**5,0**	5,8	5,0

** Restated for the adoption of IFRS 16 – Leases. June 2019 was audited pre-restatement, however, the impact of the restatements are unaudited. December 2018 was also represented for the CPG discontinued operations.*

Condensed consolidated statement of financial position

at 31 December 2019

Rm	Note	December 2019	Restated December 2018*	Restated June 2019*
ASSETS				
Goodwill and intangible assets	7	6 743	8 554	6 719
Investment in associates and joint ventures		503	597	520
Property, plant and equipment		2 630	3 192	2 647
Transport fleet		5 787	5 777	5 452
Right-of-use assets		4 714	5 895	4 780
Deferred tax assets		1 157	714	1 185
Investments and other financial assets		192	265	225
Inventories		2 408	2 464	2 349
Tax in advance		350	363	259
Trade, other receivables and contract assets		9 188	10 841	10 068
Cash resources		1 167	1 912	1 646
Assets of disposal group		171		296
Total assets		35 010	40 574	36 146
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital and share premium		1 030	1 030	1 030
Shares repurchased		(788)	(523)	(586)
Other reserves		712	848	756
Retained earnings		6 904	9 656	6 677
Attributable to owners of Imperial		7 858	11 011	7 877
Put arrangement over non-controlling interests		(492)	(531)	(527)
Non-controlling interests		871	1 002	895
Total equity		8 237	11 482	8 245
Liabilities				
Retirement benefit obligation		1 314	1 251	1 343
Interest-bearing borrowings		8 568	8 121	7 391
Lease obligations		5 159	6 425	5 969
Deferred tax liabilities		937	1 006	809
Other financial liabilities		1 117	1 109	1 075
Trade, other payables and provisions		9 508	10 813	11 063
Current tax liabilities		170	367	251
Total liabilities		26 773	29 092	27 901
Total equity and liabilities		35 010	40 574	36 146

** Restated for the adoption of IFRS 16 – Leases. Refer to note 3. June 2019 was audited pre-restatement, however, the impact of the restatements are not audited.*

Condensed consolidated statement of changes in equity

for the six months ended 31 December 2019

Rm	Share capital and premium	Shares repurchased
At 30 June 2018 – Audited	1 030	(560)
Net impact of the adoption IFRS 16 – Leases (Refer to note 3)		
Restated opening balance at 1 July 2018	1 030	(560)
Total comprehensive income for the year		
Share-based cost charged to profit or loss		
Share-based equity reserve transferred to retained earnings on vesting		
Treasury shares cancelled delivered to settle share-based obligations		134
Share-based equity reserve hedge cost		
Transfer share-based payment reserve to liabilities		
Transfer of statutory reserve to retained income		
Ordinary dividends paid		
Ordinary dividends distribution in specie on unbundling of Motus		
Repurchase of ordinary shares		(97)
Non-controlling interests acquired, net of disposals and shares issued		
Net decrease in non-controlling interests through buyouts		
Realisation on deconsolidation of subsidiaries and businesses		
Non-controlling interests' share of dividends		
At 31 December 2018 – Restated	1 030	(523)
Total comprehensive income for the year		
Share-based cost charged to profit or loss		
Share-based equity reserve transferred to retained earnings on vesting		
Treasury shares cancelled delivered to settle share-based obligations		2
Share-based equity reserve hedge cost		
Transfer of share payment reserve to share-based payment liability		
Transfer from statutory reserve to retained earnings		
Ordinary dividends paid		
Repurchase of ordinary shares		(165)
Cancellation of ordinary shares		100
Non-controlling interests acquired, net of disposals and shares issued		
Net decrease in non-controlling interests through buyouts		
Realisation on deconsolidation of subsidiaries and businesses		
Non-controlling interests' share of dividends		
At 30 June 2019 – Restated	1 030	(586)
Total comprehensive income for the year		
Share-based cost charged to profit or loss		
Share-based equity reserve transferred to retained earnings on vesting		
Shares delivered to settle share-based obligations		23
Ordinary dividends paid		
Repurchase of ordinary shares		(225)
Non-controlling interests acquired, net of disposals		
Net decrease in non-controlling interests through buyouts		
Non-controlling interests' share of dividends		
At 31 December 2019	1 030	(788)

Other reserves	Retained earnings	Attributable to owners of Imperial	Put arrangement over non-controlling interest	Non-controlling interests	Total equity
271	22 050	22 791	(566)	900	23 125
(80)	(287)	(367)		(36)	(403)
191	21 763	22 424	(566)	864	22 722
727	5 825	6 552		83	6 635
91		91			91
35	(35)				
(134)					
(40)		(40)			(40)
(13)		(13)			(13)
1	(1)				
	(767)	(767)			(767)
	(17 036)	(17 036)			(17 036)
		(97)			(97)
				232	232
(103)		(103)	35	(33)	(101)
93	(93)				
				(144)	(144)
848	9 656	11 011	(531)	1 002	11 482
(351)	(2 462)	(2 813)		69	(2 744)
90		90			90
5	(5)				
(2)					
(97)		(97)			(97)
1		1			1
30	(30)				
	(263)	(263)			(263)
		(165)			(165)
	(100)				
				(204)	(204)
113		113	4	81	198
119	(119)				
				(53)	(53)
756	6 677	7 877	(527)	895	8 245
(47)	423	376		82	458
68		68		(1)	67
(12)	12				
(23)					
	(208)	(208)			(208)
		(225)			(225)
				19	19
(30)		(30)	35	(50)	(45)
				(74)	(74)
712	6 904	7 858	(492)	871	8 237

Condensed consolidated statement of cash flows

for the six months ended 31 December 2019

Rm	Six months ended December 2019	Restated six months ended December 2018*	Restated financial year ended June 2019*
Cash flows from operating activities			
Cash generated by operations before movements in net working capital	2 682	4 617	6 870
Movements in net working capital	(1 094)	(2 037)	(1 538)
Cash generated by operations before interest and taxes paid	1 588	2 580	5 332
Net interest paid	(422)	(686)	(1 137)
Tax paid	(261)	(405)	(622)
Cash generated by operations before capital expenditure on rental assets	905	1 489	3 573
Net capital expenditure rental assets (Motus)		(1 172)	(1 172)
	905	317	2 401
Cash flows from investing activities			
Net acquisition of subsidiaries and businesses	(75)		(92)
Expansion capital expenditure	(483)	(195)	(471)
Net replacement capital expenditure	(332)	(505)	(623)
Net capital expenditure (Motus)~		(179)	(179)
Net movement in associates and joint ventures	39	252	279
Net movement in investments, loans and non-current financial instruments	14	(93)	(147)
	(837)	(720)	(1 233)
Cash flows from financing activities			
Hedge cost premium paid		(62)	(161)
Settlement of cross-currency swap instruments	(10)		(13)
Repurchase of ordinary shares	(225)	(91)	(262)
Dividends paid	(282)	(911)	(1 227)
Cash resources distributed as part of the dividend in specie		(1 058)	(1 058)
Cash paid on change in non-controlling interests	(80)	(80)	(142)
Capital raised from non-controlling interests		200	200
Settlement of non-redeemable, non-participating preference shares		(378)	(378)
Net increase in interest-bearing borrowings	1 178	1 202	828
Payments of lease obligations	(1 138)	(843)	(1 684)
	(557)	(2 021)	(3 897)
Net decrease in cash resources	(489)	(2 424)	(2 729)
Effects of exchange rate changes on cash resources in a foreign currency	10	35	74
Cash resources at beginning of period	1 646	4 301	4 301
Cash resources at end of period	1 167	1 912	1 646

** Restated for the adoption of IFRS 16 – Leases. Refer to note 3. June 2019 was audited pre-restatement, however, the impact of the restatements are unaudited.*

~ For ease of comparability the Motus capital expenditure in the prior periods of R179 million, made up of expansion capital expenditure of R65 million and replacement capital expenditure of R114 million was reclassified and shown separately from the Logistics operations' capital expenditure.

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and its Interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the Group at 31 December 2019 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. The results are presented in accordance with IAS 34 – Interim Financial Reporting and comply with the Listings Requirements of the Johannesburg Stock Exchange Limited and the Companies Act of South Africa, 2008. These condensed consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated annual financial statements as at and for the year ended 30 June 2019.

These condensed consolidated financial statements have been prepared under the supervision of WS Buckton, CA (SA) and were approved by the board of directors on 25 February 2020.

2. ACCOUNTING POLICIES

The accounting policies adopted and methods of computation used in the preparation of the condensed consolidated financial statements are in accordance with IFRS and are consistent with those of the annual financial statements for the year ended 30 June 2019, with the exception of the adoption IFRS 16 – Leases as detailed in note 3 below.

3. IFRS STANDARDS THAT BECAME EFFECTIVE DURING THE PERIOD

IFRS 16 – Leases: As lessee

IFRS 16 – Leases, 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 liabilities are expensed, both in profit or loss. The operating lease payments previously expensed in profit or loss and classified as a operating cash flow are now accounted for as settlements of the lease obligations on the statement of financial position and interest expense in the statement of profit or loss.

The Group applied IFRS 16 fully retrospective with the impact of the adoption on the financial statements summarised below. The restatements are unaudited. The impact on equity at 1 July 2018 is disclosed in the statement of changes in equity on pages 26 and 27.

The numbers reported for Motus at 30 June 2018 and for the period ended 31 December 2018 were not restated as the deconsolidation of Motus occurred prior to the adoption of IFRS 16.

Rm	31 December 2019	30 June 2019	1 July 2018
Financial position			
Assets			
Right-of-use assets	5 895	4 780	5 335
Deferred tax assets	123	117	115
Investments and other financial assets	48	42	52
Trade, other receivables and contract assets	(65)	(58)	(69)
Total assets	6 001	4 881	5 433
Liabilities			
Interest-bearing borrowings	(21)	(21)	(21)
Lease obligations	6 425	5 969	5 850
Trade, other payables and provisions	7	(665)	7
Total liabilities	6 411	5 283	5 836
Total equity	(410)	(402)	(403)

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beyond possibility

Profit or loss (Rm)	December 2018	June 2019
3. IFRS STANDARDS THAT BECAME EFFECTIVE DURING THE PERIOD continued		
Continuing operations		
Net operating expenses	875	1 797
Profit from operations before depreciation and recoupments	875	1 797
Depreciation, amortisation, impairments and recoupments	(748)	(1 534)
Operating profit	127	263
Foreign exchange (losses) gains	(2)	6
Other non-operating items		5
Profit before net finance costs	125	274
Net finance cost	(123)	(246)
Profit before tax	2	28
Income tax expense	3	(7)
Profit for the period from continuing operations	5	21
Loss for the period from discontinued operations (CPG only)	(12)	(24)
	(7)	(3)
Earnings per share (cents)		
Basic	(4)	(2)
– Continuing operations	3	10
– Discontinued operations	(7)	(12)
Diluted	(3)	(2)
– Continuing operations	2	10
– Discontinued operations	(5)	(12)
The impact on profit attributable to non-controlling interests was insignificant.		
Cash flows		
Cash flows from operating activities		
Cash generated by operations before movements in net working capital	995	1 999
Movements in net working capital	3	(4)
Cash generated by operations before interest and taxes paid	998	1 995
Net interest paid	(158)	(316)
	840	1 679
Cash flows from investing activities		
Net movement in investments, loans and non-current financial instruments	3	5
	3	5
Cash flows from financing activities		
Payments of lease obligations	(843)	(1 684)
	(843)	(1 684)
Net movement in cash resources		

IFRS 16 – Leases: As lessor

In terms of lessor accounting IFRS 16 – Leases substantially carries forward the requirements in IAS 17 – Leases 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.

	December 2019	December 2018	June 2019
4. FOREIGN EXCHANGE RATES			
The following major rates of exchange were used in the translation of the group's foreign operations:			
SA Rand:Euro			
– Closing	15,72	16,46	16,06
– Average	16,29	16,33	16,18
SA Rand:US Dollar			
– Closing	14,01	14,39	14,10
– Average	14,68	14,17	14,18
SA Rand:Pound Sterling			
– Closing	18,51	18,42	17,95
– Average	18,50	18,35	18,35

Rm	December 2019	December 2018	June 2019
5. OTHER NON-OPERATING ITEMS			
Remeasurement of financial instruments not held-for-trading			51
Remeasurement of put option liabilities			51
Capital items	(22)	(8)	(1 158)
Impairment of goodwill	(6)	(65)	(1 139)
(Loss) profit on disposal of subsidiaries, businesses and associates	(10)	64	64
Unimpairment (impairment) of loans advanced to associates	8		(73)
Business acquisition costs	(14)	(7)	(15)
Net gain on termination of leases			5
	(22)	(8)	(1 107)
6. NET FINANCE COST			
Net interest paid	(317)	(297)	(657)
Fair value losses on interest-rate swap instruments	(21)	(1)	(4)
	(338)	(298)	(661)

Rm	December 2019	December 2018	June 2019
7. GOODWILL AND INTANGIBLE ASSETS			
Goodwill			
Cost	7 544	7 489	7 387
Accumulated impairment	(2 483)	(1 142)	(2 477)
	5 061	6 347	4 910
Carrying value at beginning of year	4 910	6 221	6 221
Net acquisition and disposal of businesses	148	3	24
Impairment charge	(6)	(65)	(1 400)
Currency adjustments	9	188	65
Carrying value at end of period	5 061	6 347	4 910
Intangible assets	1 682	2 207	1 809
Goodwill and intangible assets	6 743	8 554	6 719

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value hierarchy

The group's financial instruments carried at fair value are classified in 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.

> **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.

Fair value of financial assets and financial liabilities carried at amortised cost

The fair values of the group's financial assets and financial liabilities carried at amortised cost approximate their carrying values.

The following table presents the valuation categories used in determining the fair values of financial instruments carried at fair value:

Rm	Level 1	Level 2	Level 3
Financial assets			
Listed investments	6		
Foreign exchange contracts		8	
Financial liabilities			
Put option liabilities (option to buy out non-controlling interests)			909
Contingent consideration liabilities (arising on business combinations)			127
Cross-currency and interest-rate swap instruments and foreign exchange contracts		55	

8. FAIR VALUE OF FINANCIAL INSTRUMENTS continued

Transfers between fair value hierarchy levels

The group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred. There were no transfers between the fair value hierarchies during the period.

Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing carrying values of level 3 financial instruments carried at fair value:

Rm	Put options liabilities	Contingent consideration liabilities	Total
Carrying value at beginning of the period	951	42	993
Arising on acquisition of Axis Group		107	107
Settlements	(34)	(19)	(53)
Currency adjustments	(8)	(3)	(11)
Carrying value at end of period	909	127	1 036

Level 3 sensitivity information

The fair values of the level 3 financial instruments were estimated by applying an income-approach valuation method including a present value discount technique. The fair value measurements are 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, expected future cash flows and the discount rates applied. The assumed profitabilities were based on historical performances but adjusted for expected growth.

Rm	Carrying value	Increase in carrying value	Decrease in carrying value
Financial instrument | Key assumption			
Put option liabilities | earnings growth	909	28	56
Contingent consideration liabilities | assumed profits	127		13

Rm	December 2019	December 2018	June 2019
9. CONTINGENCIES AND COMMITMENTS			
Capital commitments	233	80	212
Contingent liabilities	394	421	674

10. BUSINESS COMBINATIONS DURING THE PERIOD

The information disclosed below is provisional as the initial accounting of all the business combinations is incomplete.

Business combinations during the period	Nature of business	Operating segment	Date acquired	Interest acquired %	Purchase consideration Rm
Acquisitions during the period					
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	175
Individually immaterial acquisitions					8
Total purchase consideration transferred – during the period					183
Acquisitions after the reporting period					
Geka Pharma (Proprietary) Limited	Pharmaceutical supplies to the healthcare industry in Namibia	Logistics African Regions	January 2020	65	78
ACP Holdings Limited (AKA Fareast Mercantile Ghana)	Importer and distributor of fast-moving consumer goods across Ghana	Logistics African Regions	January 2020	51	289
MDS Logistics Limited (49% held associate at 31 December 2019)	Provider of integrated supply chain solutions to manufacturers, importers, service providers and wholesale distributors across Nigeria	Logistics African Regions	January 2020	57	321
Purchase consideration transferred after the reporting period (including contingent consideration and fair value of previously held interest)					688

10. BUSINESS COMBINATIONS DURING THE PERIOD continued

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

Rm	Acquisitions during the period	Acquisitions after the period	Geka Pharma	Fareast Mercantile	MDS Logistics
Assets					
Intangible assets	53	160	14	79	67
Property, plant and equipment, transport fleet and right-of-use assets	6	199	3		196
Inventories		301	57	201	43
Trade, other receivables and contract assets	5	287	100	134	53
Cash resources	4	42			42
	68	989	174	414	401
Liabilities					
Income tax liabilities	10	64	2	16	46
Interest-bearing borrowings	3	64	21		43
Other financial liabilities		134		134	
Trade and other payables and provisions	2	337	82	201	54
	15	599	105	351	143
Acquirees' carrying amount at acquisition	53	390	69	63	258
Less: Non-controlling interests' proportionate share	(19)	(166)	(24)	(31)	(111)
Net assets acquired	34	224	45	32	147
Purchase consideration transferred	183	688	78	289	321
– Cash	76	234	47	153	34
– Fair value of previously held associate		287			287
– Contingent consideration	107	167	31	136	
Excess purchase consideration over net assets acquired	149	464	33	257	174

10. BUSINESS COMBINATIONS DURING THE PERIOD continued

Reasons for the acquisitions

The group acquired a 60% shareholding in Axis Group International DMCC in Dubai for R175 million. Axis Group is strategically aligned to facilitate trade between Imperial's present customer base and companies based in the Chinese and Asian regions. 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. It has more than 22 years' experience in this market and is the go-to company for any business wanting to expand or open up trade in the Chinese and Asian region.

The other businesses were acquired to complement and expand our staffing business in South Africa.

Details of contingent consideration for acquisitions concluded during the period

The contingent consideration requires the group to pay the vendors of Axis R107 million over the next three years if the entities' net profit after tax exceeds certain profit targets.

Acquisition costs incurred for acquisitions concluded during and after the reporting period

Acquisition costs for business acquisitions concluded during and after the reporting period amounted to R14 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 period

From the dates of acquisition the businesses acquired during the period contributed revenue of R34 million and operating profit of R2 million. A reliable estimate of the revenue and profit contributions, if the businesses were acquired on 1 July 2019, is not available.

Separate identifiable intangible assets for the Axis Group acquisition

As at the acquisition date the fair value of the separate identifiable intangible assets was R53 million. This fair value, which is classified as level 3 in the fair value hierarchy, was determined using the multi-period 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 %
Brand name	
– Discount rate	19,5
– Royalty rate	0,3
Contract-based intangible assets	
– Weighted average discount rates	18,0 – 19,0
– Terminal growth rate	2,3

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

11. EVENTS AFTER THE REPORTING PERIOD

Refer to the dividend declaration on page 21 and to business combinations above and on page 18 of this report.

Primary segmental information (IFRS 8 – *Operating Segments*) – continuing operations

for the six months ended 31 December 2019

PROFIT OR LOSS

	Imperial Logistics		South Africa		African Regions		International		Head office and eliminations	
Rm	2019	2018*	2019	2018*	2019	2018*	2019	2018*	2019	2018*
Revenue	25 397	25 221	7 640	6 737	6 359	6 339	11 435	12 412	(37)	(267)
– South Africa	7 603	6 470	7 640	6 737					(37)	(267)
– Rest of Africa	6 359	6 339			6 359	6 339				
– International	11 435	12 412					11 435	12 412		
Operating profit	1 636	1 500	579	534	511	479	545	486	1	1
– South Africa	580	535	579	534					1	1
– Rest of Africa	511	479			511	479				
– International	545	486					545	486		
Depreciation, amortisation, impairments and recoupments	(1 478)	(1 460)	(398)	(396)	(173)	(179)	(905)	(887)	(2)	2
– South Africa	(400)	(394)	(398)	(396)					(2)	2
– Rest of Africa	(173)	(179)			(173)	(179)				
– International	(905)	(887)					(905)	(887)		
Net finance cost	(338)	(298)	(105)	(138)	(94)	(94)	(137)	(148)	(2)	82
– South Africa	(107)	(56)	(105)	(138)					(2)	82
– Rest of Africa	(94)	(94)			(94)	(94)				
– International	(137)	(148)					(137)	(148)		
Pre-tax profits**	1 151	1 012	475	380	347	285	328	257	1	90
– South Africa	476	470	475	380					1	90
– Rest of Africa	347	285			347	285				
– International	328	257					328	257		
ADDITIONAL SEGMENT INFORMATION										
Analysis of revenue by type										
– Sale of goods	5 982	5 492	198	261	5 673	5 227	110		1	4
– Rendering of services	19 415	19 729	7 437	6 450	643	1 049	11 323	12 410	12	(180)
External revenue	25 397	25 221	7 635	6 711	6 316	6 276	11 433	12 410	13	(176)
Inter-group revenue			5	26	43	63	2	2	(50)	(91)
Revenue	25 397	25 221	7 640	6 737	6 359	6 339	11 435	12 412	(37)	(267)
Analysis of depreciation, amortisation, impairments and recoupments	(1 478)	(1 460)	(398)	(396)	(173)	(179)	(905)	(887)	(2)	2
Depreciation and amortisation	(1 342)	(1 283)	(423)	(394)	(92)	(89)	(824)	(795)	(3)	(5)
Recoupments and impairments	38	19	38	20	(3)	(1)	4	(7)	(1)	7
Amortisation of intangible assets arising from business combinations	(174)	(196)	(13)	(22)	(78)	(89)	(85)	(85)	2	
Share of results of associates (included in pre-tax profits)	8	32	1	3	9	15	(1)	14	(1)	
Operating margin (%)	6,4	5,9	7,6	7,9	8,0	7,6	4,8	3,9		

* *Restated for the adoption of IFRS 16 – Leases and for the representation of CPG as a discontinued operation.*
** *Refer to glossary of terms on page 40.*

Primary segmental information (IFRS 8 – *Operating Segments*) – continuing operations

for the six months ended 31 December 2019

FINANCIAL POSITION

Rm	Imperial Logistics December 2019	Imperial Logistics December 2018*	Imperial Logistics June 2019*	South Africa December 2019	South Africa December 2018*	South Africa June 2019*	African Regions December 2019	African Regions December 2018*	African Regions June 2019*	International December 2019	International December 2018*	International June 2019*	CPG December 2019	CPG December 2018*	CPG June 2019*	Head office and eliminations December 2019	Head office and eliminations December 2018*	Head office and eliminations June 2019*
Assets																		
Goodwill and intangible assets	6 743	8 554	6 719	196	548	213	2 178	2 647	2 077	4 363	5 064	4 413		276		6	19	16
Property, plant and equipment	2 630	3 192	2 647	965	1 165	934	376	363	348	1 192	1 406	1 266		171		97	87	99
Transport fleet	5 787	5 777	5 452	2 962	2 543	2 523	75	153	93	2 750	2 929	2 836		152				
Right-of-use assets	4 714	5 895	4 780	1 318	1 111	1 044	397	407	361	2 935	3 554	3 317	63	823	58	1		
Investments in associates (excluding loans advanced to associates)	452	491	467	10	39	37	317	319	302	125	133	128						
Investments	33	59	47	28	29	27				5	5	5					25	15
Inventories	2 408	2 464	2 349	334	363	427	1 899	1 896	1 720	176	203	198		2	4	(1)		
Trade, other receivables and contract assets	9 188	10 841	10 068	2 911	2 427	2 364	2 359	2 272	1 977	3 451	4 082	4 037	379	2 059	1 690	88	1	
Operating assets^	31 955	37 273	32 529	8 724	8 225	7 569	7 601	8 057	6 878	14 997	17 376	16 200	442	3 483	1 752	191	132	130
– South Africa	9 357	11 840	9 451	8 724	8 225	7 569							442	3 483	1 752	191	132	130
– Rest of Africa	7 601	8 057	6 878				7 601	8 057	6 878									
– International	14 997	17 376	16 200							14 997	17 376	16 200						
Liabilities																		
Retirement benefit obligations	1 314	1 251	1 343							1 314	1 251	1 343						
Trade and other payables and provisions	9 508	10 813	11 063	2 532	2 293	2 494	2 674	2 607	2 521	2 940	3 829	3 729	1 152	1 813	2 116	210	271	203
Other financial liabilities	188	83	124	27	58	58	116	14	6	26	8	30				19	3	30
Operating liabilities^	11 010	12 147	12 530	2 559	2 351	2 552	2 790	2 621	2 527	4 280	5 088	5 102	1 152	1 813	2 116	229	274	233
– South Africa	3 940	4 438	4 901	2 559	2 351	2 552							1 152	1 813	2 116	229	274	233
– Rest of Africa	2 790	2 621	2 527				2 790	2 621	2 527									
– International	4 280	5 088	5 102							4 280	5 088	5 102						
Net working capital~^	2 088	2 492	1 354	713	497	297	1 584	1 561	1 176	687	456	506	(773)	248	(422)	(123)	(270)	(203)
– South Africa	(183)	475	(328)	713	497	297							(773)	248	(422)	(123)	(270)	(203)
– Rest of Africa	1 584	1 561	1 176				1 584	1 561	1 176									
– International	687	456	506							687	456	506						
Net debt – excluding lease obligations	7 401	6 209	5 745	2 571	2 048	1 469	1 288	1 161	836	3 679	3 296	3 634				(137)	(296)	(194)
– South Africa	2 434	1 752	1 275	2 571	2 048	1 469										(137)	(296)	(194)
– Rest of Africa	1 288	1 161	836				1 288	1 161	836									
– International	3 679	3 296	3 634							3 679	3 296	3 634						
Lease obligations	5 159	6 425	5 969	1 519	1 305	1 260	436	447	403	3 043	3 720	3 450	161	953	856			
– South Africa	1 680	2 258	2 116	1 519	1 305	1 260							161	953	856			
– Rest of Africa	436	447	403				436	447	403									
– International	3 043	3 720	3 450							3 043	3 720	3 450						
Net capital expenditure^	(815)	(700)	(1 094)	(463)	(404)	(569)	(55)	(26)	(16)	(278)	(240)	(413)	(8)	(31)	(89)	(11)	1	(7)
– South Africa	(482)	(434)	(665)	(463)	(404)	(569)							(8)	(31)	(89)	(11)	1	(7)
– Rest of Africa	(55)	(26)	(16)				(55)	(26)	(16)									
– International	(278)	(240)	(413)							(278)	(240)	(413)						

* *Restated for IFRS 16 – Leases.*

~ *Net working capital on the consolidated statement of financial position include working capital of the CPG discontinued operation that 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 South Africa.*

^ *Refer to glossary of terms on page 40.*

Secondary segmental information

for the six months ended 31 December 2019

PROFIT OR LOSS

Rm	Imperial Logistics 2019	Imperial Logistics 2018*	Freight management 2019	Freight management 2018*	Contract logistics 2019	Contract logistics 2018*	Market access 2019	Market access 2018*	Head office and eliminations 2019	Head office and eliminations 2018*
Revenue	25 397	25 221	12 380	13 266	7 363	6 839	5 691	5 383	(37)	(267)
– South Africa	7 603	6 470	4 355	4 190	3 072	2 280	213	267	(37)	(267)
– Rest of Africa	6 359	6 339	536	640	345	583	5 478	5 116		
– International	11 435	12 412	7 489	8 436	3 946	3 976				
Profit from operations before depreciation and recoupments	2 955	2 768	1 598	1 468	836	843	516	456	5	1
– South Africa	984	913	625	526	405	404	(51)	(18)	5	1
– Rest of Africa	606	569	41	62	(2)	33	567	474		
– International	1 365	1 286	932	880	433	406				
Operating profit	1 636	1 500	898	798	284	300	453	401	1	1
– South Africa	580	535	409	345	223	208	(53)	(19)	1	1
– Rest of Africa	511	479	23	30	(18)	29	506	420		
– International	545	486	466	423	79	63				
Depreciation, amortisation, impairments and recoupments	(1 478)	(1 460)	(790)	(759)	(556)	(559)	(130)	(144)	(2)	2
– South Africa	(400)	(394)	(213)	(196)	(183)	(199)	(2)	(1)	(2)	2
– Rest of Africa	(173)	(179)	(30)	(32)	(15)	(4)	(128)	(143)		
– International	(905)	(887)	(547)	(531)	(358)	(356)				
Net finance cost	(338)	(298)	(111)	(142)	(132)	(152)	(93)	(86)	(2)	82
– South Africa	(107)	(56)	(18)	(30)	(75)	(101)	(12)	(7)	(2)	82
– Rest of Africa	(94)	(94)	(3)	(10)	(10)	(5)	(81)	(79)		
– International	(137)	(148)	(90)	(102)	(47)	(46)				
Pre-tax profits**	1 151	1 012	710	574	148	131	292	217	1	90
– South Africa	476	470	393	303	147	104	(65)	(27)	1	90
– Rest of Africa	347	285	19	22	(29)	19	357	244		
– International	328	257	298	249	30	8				
ADDITIONAL SEGMENT INFORMATION										
Analysis of revenue by type										
– Sale of goods	5 982	5 492	29	30	281	113	5 671	5 345	1	4
– Rendering of services	19 415	19 729	12 570	13 354	6 794	6 505	39	50	12	(180)
External revenue	25 397	25 221	12 599	13 384	7 075	6 618	5 710	5 395	13	(176)
Inter-group revenue			(219)	(118)	288	221	(19)	(12)	(50)	(91)
	25 397	25 221	12 380	13 266	7 363	6 839	5 691	5 383	(37)	(267)
Analysis of depreciation, amortisation, impairments and recoupments	(1 478)	(1 460)	(790)	(724)	(556)	(594)	(130)	(144)	(2)	2
Depreciation and amortisation	(1 342)	(1 283)	(714)	(626)	(563)	(597)	(62)	(55)	(3)	(5)
Recoupments and impairments	38	19	29	2	10	10			(1)	7
Amortisation of intangible assets arising from business combinations	(174)	(196)	(105)	(100)	(3)	(7)	(68)	(89)	2	
Share of results of associates (included in pre-tax profits)	8	32	1	16		4	8	12	(1)	
Operating margin (%)	6,4	5,9	7,3	6,0	3,9	4,4	8,0	7,4		
Working capital	2 088	2 492	951	902	(492)	286	1 752	1 574	(123)	(270)
Net capex	815	700	545	381	216	296	65	22	(11)	1

* *Restated for the adoption of IFRS 16 – Leases and for the representation of CPG as a discontinued operation.*
** *Refer to glossary of terms on page 40.*

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 less than load (LTL), palletised full trunk load (FTL), liquid and dry bulk, ambient and refrigerated).

Contract logistics encompasses 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.

Market access takes ownership of product inventory to provide our 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.

Imperial™ beyond possibility

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 the aggregate of interest-bearing borrowings less cash resources.
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.
Operating assets	> total assets less loans receivable, tax assets and assets of disposal groups.
Operating liabilities	> total liabilities less interest-bearing borrowings, tax liabilities, put option liabilities and lease obligations.
Operating margin (%)	> operating profit divided by revenue.
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.
Return on invested capital (%)	> this is the return divided by invested capital. > 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 result of associates and joint ventures. > invested capital is a 12-month average of – total equity plus interest-bearing borrowings less cash resources.
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 (chief executive officer), GW Dempster## (lead independent director), P Cooper##, RJA Sparks##, B Radebe##, D Reich##*, JG de Beer (chief financial officer)

\# *Non-executive*
\## *Independent non-executive*
* *Swiss*

COMPANY SECRETARY

RA Venter

INVESTOR RELATIONS AND COMMUNICATIONS EXECUTIVE

E Mansingh

BUSINESS ADDRESS AND REGISTERED OFFICE

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Bedfordview, 2007

SHARE TRANSFER SECRETARIES

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15 Biermann Avenue, Rosebank, 2196

SPONSOR

Merrill Lynch SA (Proprietary) Limited
The Place, 1 Sandton Drive
Sandton, 2196

The results announcement is available on the Imperial website:
https://www.imperiallogistics.com/results/interim-results-2020/index.php

www.imperiallogistics.com