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AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021


With a footprint in over **20 African countries**
Imperial is your 'Gateway to Africa'

Contents

Directors' responsibility

for the year ended 30 June 2021

The directors are responsible for the integrity, preparation and fair presentation of the annual separate and consolidated financial statements of Imperial Logistics Limited in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), the South African Institute of Chartered Accountants (SAICA), Financial Reporting Guides as issued by the Accounting Practices Committee (APC), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the Johannesburg Stock Exchange (JSE) Listings Requirements and the requirements of the South African Companies Act, No 71 of 2008, as amended.

The directors have taken the responsibility for ensuring that accurate and complete accounting records are kept to enable the group and the company to satisfy their obligation with respect to the preparation of financial statements.

The directors are also responsible for the oversight of the group's system of internal controls. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

The group operates in an established control environment, which is documented and reviewed regularly. The group audit and risk committee plays an integral role in risk management. Risk management and internal control procedures are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that the risks facing the business are controlled.

The internal financial controls are considered adequate and effective and can be relied upon in compiling the annual financial statements. Where deficiencies in the design and operational effectiveness of internal financial controls have been identified, remedial actions have been initiated.

The group's internal audit function, which operates unimpeded by operational management, and has unrestricted access to the group's audit and risk committee, assesses and, when necessary, recommends improvements in the system of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business.

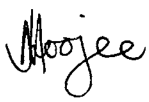
The directors have reviewed the group and the company budgets and cash flow forecasts for the 24 months ending 30 June 2023. In light of this review, the current financial position and existing borrowing facilities, the going concern basis has been adopted in preparing the group and the company annual financial statements. The directors have no reason to believe that the company or its subsidiaries will not be going concerns in the year ahead. These financial statements support the viability of the group and the company.

The group's external auditor, Deloitte & Touche, audited the group and the company annual financial statements and its unqualified audit report is presented on pages 4 to 7.

The external auditor was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditor during the audit are valid and appropriate.

The group and the company annual financial statements which appear on pages 18 to 99 were approved for issue by the board of directors on 7 September 2021 and are signed on its behalf by:

P Langeni
Chairman



M Akoojee
Chief executive officer

JG de Beer
Chief financial officer

Chief executive officer and chief financial officer responsibility statement

for the year ended 30 June 2021

The directors, whose names are stated below, hereby confirm that:

The annual financial statements set out on pages 18 to 99 fairly present in all material respects the financial position, financial performance and cash flows of Imperial Logistics Limited (Imperial) and its consolidated subsidiaries in terms of IFRS;

No facts have been omitted or untrue statements made that would make the consolidated annual financial statements false or misleading;

Internal financial controls have been put in place to ensure that material information relating to Imperial and its consolidated subsidiaries has been provided to effectively prepare the consolidated and separate annual financial statements of Imperial; and

The internal financial controls are adequate and effective and can be relied upon in compiling the consolidated annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King IV Code on Corporate Governance™*. Where we are not satisfied, we have disclosed to the audit committee and the external auditor the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

M Akoojee
Chief executive officer

7 September 2021

JG de Beer
Chief financial officer

7 September 2021

The directors confirm that remedial action in respect of the deficiencies reported to the audit committee and the external auditor, as referred to above, has commenced and is ongoing. Refer to the report by the audit committee on page 8 for further details.

Certificate by acting group company secretary

In my capacity as acting group company secretary, I hereby confirm that, for the year ended 30 June 2021, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, as amended and that all such returns are true, correct and up to date.

J Ravjee
Acting company secretary

7 September 2021

Preparer of the consolidated and separate annual financial statements

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

WS Buckton
General manager group finance

7 September 2021

Independent auditor’s report

to the shareholders of Imperial Logistics Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Imperial Logistics Limited (the group and company) set out on pages 18 to 99, which comprise the statements of financial position as at 30 June 2021, and the statement of profit or loss, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 30 June 2021, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

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

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of goodwill and indeterminate useful life intangible assets	
As a consequence of the acquisitive nature of the group, goodwill and indeterminate useful life intangible assets of R4,8 billion (2020: R5,5 billion) have been recognised in the consolidated statement of financial position. Impairment losses amounting to R40 million (2020: R223 million) were recognised against these assets. The remaining goodwill and indeterminate useful life intangible assets represent 79% (2020: 77%) of the group's total intangible assets and 16% (2020: 13%) of the group's total assets. As required by the applicable accounting standards, the directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill and indeterminate useful life intangible assets. This is performed using discounted cash flow models. As disclosed in note 4, there are a number of key sensitive judgements made in determining the inputs into these models which include: • Revenue growth (including market share, volume growth and price increases). • Terminal growth rates. • The discount rates applied to the projected future cash flows. The directors have engaged specialists to assist with the determination of the discount rates for the significant cash-generating units (CGUs) to which the goodwill and indeterminate useful life intangible assets relate. The valuation of these assets is considered to be a key audit matter. Refer to accounting policy note 1.8 and note 4 of the consolidated financial statements for disclosure in this regard.	We focused our testing of the impairment of goodwill and indeterminate useful life intangible assets on the key assumptions made by the directors. Our audit procedures included: • Testing the design and implementation of relevant controls around the impairment assessment. • Assessing the appropriateness of the CGUs. • Critically evaluating whether the model, including its mechanics and logic, used by the directors to calculate the values-in-use of the individual CGUs, complies with the requirements of IAS 36 – Impairment of Assets. • Engaging our internal corporate finance specialists to assess the acceptability of the models used and the mathematical accuracy of the models. • Engaging our internal corporate finance specialists to assist with validating the assumptions used to calculate the discount rates and recalculating these rates. • Analysing the future projected cash flows, including the revenue and terminal growth rates, used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the CGUs. • Subjecting the key assumptions to sensitivity analyses to determine their impact on potential impairments. • Comparing the projected cash flows, including the assumptions relating to revenue growth rates against historical performance to test the reasonability of the directors' projections. We found that the assumptions used by the directors were comparable with historical performance and the expected future outlook and the discount rates used were appropriate in the circumstances. The expected future outlook is based on current evidence available. We note that the impairment loss recognised and the remaining value of the intangible assets is dependent on the achievement of the projected long-term future cash flows. There is limited headroom on some of the CGUs and incremental changes in the key assumptions may result in additional impairments in future periods. We consider the disclosure of the impairment and remaining carrying value of these assets, included in accounting policy note 1.8 and note 4 of the consolidated financial statements, to be appropriate.

Independent auditor’s report continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled “Imperial Logistics Limited audited annual financial statements for the year ended 30 June 2021”, which includes the directors’ report, the report of the audit committee and the certificate by company secretary, as required by the Companies Act of South Africa, and the chief executive officer and chief financial officer responsibility statement, which we obtained prior to the date of this auditor’s report and the integrated annual report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor’s report thereon.

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Imperial Logistics Limited for 20 years.

Deloitte & Touche
Registered auditor
Per: MLE Tshabalala
Partner
7 September 2021

5 Magwa Crescent
Midrand
South Africa
2090

Report of the audit committee

for the year ended 30 June 2021

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

Terms of reference

The audit committee assists the board in discharging its duties by independently monitoring the strength of the operational, financial and control processes. These include internal financial controls and ensuring that assurance services and functions enable an effective control environment and that these support the integrity of information produced in compliance with applicable legal and regulatory requirements.

Members of the audit committee and attendance at meetings

The members are being recommended by the board for appointment for the financial year ending 30 June 2022, and their appointments are being submitted to shareholders for approval at the next annual general meeting (AGM) on 8 November 2021. The individual members satisfy the requirements to serve as members of the audit committee as provided in section 94 of the Companies Act and have adequate knowledge and experience. The composition of the audit committee and the attendance at the meetings by its members for the reporting period are set out below. The audit committee meets at least four times a year and members' fees are included in directors' emoluments as disclosed in note 39.1 of the consolidated annual financial statements.

Audit committee member	November 2020	February 2021	May 2021	August 2021
NB Duker – chairman (née B Radebe)	✓	✓	✓	✓
GW Dempster	✓	✓	✓	✓
RJA Sparks	✓	✓	✓	✓
P Cooper	✓	✓	✓	✓

✓ Attended the meeting.

Mrs NB Duker was appointed to succeed Mr GW Dempster as chairman of the audit committee from 1 September 2020. Mr GW Dempster remains a member of the audit committee.

The chairman, the group chief executive officer (CEO), the group chief financial officer (CFO), the group risk officer, the executive internal auditor, the independent external auditor and other assurance providers attend the audit committee meetings by invitation.

The effectiveness of the individual members of the audit committee and the audit committee as a whole is assessed on an annual basis.

Due to the size and diverse nature of the group, the audit committee has established divisional finance risk review committees (FRRCs), which provide additional assurance to the group's audit committee. The FRRC meetings are attended by members of the group audit committee and each meeting is chaired by the group's CFO.

The functions of the audit committee are also performed for each subsidiary company of Imperial Logistics Limited (Imperial) that has not appointed an audit committee, on the basis that the audit committee delegates the performance of such functions to the FRRCs.

Execution of functions of the audit committee

The audit committee is satisfied that, in respect of the year under review, it has conducted its affairs and discharged its duties and responsibilities in accordance with its terms of reference and the Companies Act.

The audit committee discharged the following responsibilities during the year under review:

External auditor

The audit committee took the following actions, among others:

- Reviewed and approved the external auditor's terms of engagement, the audit plan and the audit fees for 2021.
- Considered and satisfied itself with the independence and objectivity of the external auditor and ensured that the scope of non-audit services rendered did not impair its independence.
- Approved the non-audit-related services performed by the external auditor during the year, in accordance with the policy established and approved by the board.
- Fees paid for audit and non-audit services are disclosed in note 24 of the consolidated annual financial statements. The non-audit fees represent 17% compared to total auditors' remuneration, which is within the group's policy.
- Services assigned to the group's audit firm were pre-approved following an evaluation of the impact on audit independence based on the group's approved policy.
- The audit committee is satisfied that other than for the approved services, no other benefits were provided to the external auditor.
- Satisfied itself with the performance of the external auditor, and further, that it is accredited on the JSE's list of auditors and advisers.
- Satisfied itself that the external auditor is within the tenure and rotation requirements.
- Noted the requirement for mandatory audit firm rotation and that this will be implemented at the appropriate time.
- The group's external auditor is Deloitte & Touche, a Level 1 B-BBEE contributor.
- Assessed the external audit firm as well as the related engagement partners' suitability for appointment, taking into account the quality of the audit work and related reporting to the audit committee, the industry expertise of the firm and its designated partners, findings by the Independent Regulatory Board for Auditors (IRBA) and statements relating to independence as well as the representations made by the external auditor to the audit committee.
- Considered the practical ability for the external auditor and the group finance team to work remotely in light of COVID-19 restrictions and the social unrest experienced in South Africa during July 2021.
- Satisfied itself that no reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, No 26 of 2005.
- The committee has considered IRBA's mandatory audit firm rotation requirement to early rotate the group's external auditor, Deloitte & Touche, due to its current tenure. However, due to the offer by DP World, challenges and uncertainties posed by the COVID-19 pandemic and the current portfolio rationalisation and restructuring activity by the group, the committee decided to postpone the auditor rotation to F2022 for the F2023 financial year. In terms of the IRBA requirements, Imperial has to rotate auditors effective for financial years commencing on or after 1 April 2023.
- The audit committee recommends the re-appointment of Deloitte & Touche at the AGM.

Report of the audit committee continued

for the year ended 30 June 2021

Internal audit

The audit committee:

- Reviewed and approved the Internal Audit charter and annual audit plan and evaluated the independence, effectiveness and performance of the Internal Audit department and compliance with its charter.
- Considered the effectiveness and independence of the internal audit function and its impact as a third line of assurance, and monitored adherence to the annual internal audit plan.
- Reviewed the performance of the Executive Internal Audit, and confirmed that he had the requisite skill, experience, human resources and budgetary support from the organisation in order to successfully execute on his mandate in the year under review.
- The audit committee obtained appropriate evidence to satisfy itself that the internal audit function fulfilled its mandate appropriately.
- Reviewed the reported results of internal audit work in order to be satisfied that they appropriately supported the final annual assessment of governance, risk management and the system of internal controls of the group.
- Reviewed the critical matters raised by the internal audit function, obtained and evaluated management's action plans to address those matters and assessed the adequacy of those actions to appropriately and sustainably resolve those critical matters.
- Reviewed the results of the external quality assurance review performed on the function, to validate that the governance, processes and management thereof, and the quality of work delivered by the function, are at the requisite level as governed by International Standards for the Professional Practice of Internal Auditing.
- Considered the effectiveness of the combined assurances provided by all the lines of assurance through a review of management's representations and attestations, reports from the risk and compliance function together with an evaluation of the assurance provided by external and internal audit functions.

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

Risk management

The audit committee:

- Reviewed the group's policies on risk assessment and risk management, including fraud risks and information technology (IT) risks as they pertain to financial reporting and the going concern assessment, and found them to be sound.
- Reviewed the matters related to financial reporting presented on the risk registers, its impact and likelihood of occurrence.
- Reviewed the comprehensive group-wide project to manage its response to the COVID-19 pandemic.
- Reviewed the adequacy and effectiveness of the group's procedures, including its risk management framework, to ensure compliance with legal and regulatory responsibilities.
- Reviewed legal matters that could have a material impact on the group.
- Monitored complaints received via the group's whistle-blowing service.
- Considered reports provided by management, internal audit and the external auditor regarding compliance with legal and regulatory requirements.

Internal financial controls

- Reviewed the assessment, prepared by internal audit, on the effectiveness of the group's risk management, governance and system of internal financial controls. This assessment, together with the report on the overall control environment, formed the basis of the committee's recommendation to the board in this regard. The board's report on the effectiveness of the system of internal controls, which the committee fully supports, is included in the directors' report on page 14.
- Considered the reports from management on fraud and IT risks as they pertain to financial reporting.
- Reviewed the reports of the external auditor detailing the findings arising from their audit and considered the appropriateness of the responses from management.
- Reviewed fraud and whistle-blowing reports and ensured that appropriate management action was taken with regard to the control environment and consequence management.
- Evaluated the group's assessment of the CEO and CFO responsibility statement on the annual financial statements and internal financial controls as required by new JSE Listings Requirements, as set out on page 2.

Chief executive officer and chief financial officer responsibility statement

The committee noted the responsibility statement, as required by paragraph 3,84(k) of the JSE Listings Requirements, submitted by the CEO and the CFO.

The evaluation of controls, by the CEO and CFO, included:

- Identification and classification of risks, including the determination of materiality;
- Testing the design and determining the implementation of controls to address high-risk areas;
- Utilising internal audit to test the operating effectiveness of controls and to address the high-risk areas on an annual basis; and
- Obtaining control declarations and assessments from the business and divisional management on an operating effectiveness of controls on a bi-annual basis.

The committee noted deficiencies in the areas of IT general controls, master price lists and the review of transactional journals. The committee noted the remedial action to be taken on the control deficiencies identified, as well as on the related timelines for implementation.

These deficiencies did not result in any material breakdowns in internal control, including financial controls, business risk management and maintenance of effective internal control systems.

The audit committee has discussed and documented the basis of conclusion, which includes discussions with its internal and external auditors and management. The audit committee believes that Imperial's internal control systems can be relied upon as a reasonable basis for the preparation and presentation of the annual financial statements.

Going concern status

The group's consolidated annual financial statements have been prepared on a going concern basis, and the directors are satisfied that the group is in a sound financial position to meet its foreseeable cash requirements. The board's statement on the going concern status of the group and company is contained on page 14 of the directors' report and the audit committee supports the statement.

Solvency and liquidity review

The committee is satisfied that the board has performed a solvency and liquidity test on the company in light of guarantees and letters of support issued on behalf of subsidiaries.

Financial reporting

The audit committee took the following actions, among others:

- Reviewed and approved the accounting policies and the annual financial statements of the group and the company for the year ended 30 June 2021, and based on the information provided to it, the audit committee considered that, in all material respects, they are appropriate and comply with the provisions of the Companies Act, IFRS, the SAICA Financial Reporting Guides as issued by the APC, Financial Reporting Pronouncements as issued by the FRSC, and the JSE Listings Requirements as well as content from the JSE's annual proactive monitoring report.
- Reviewed the processes in place for the reporting of concerns and complaints relating to financial reporting and accounting practices, internal audit, contents of the group's and the company's financial statements, internal financial controls and any related matters. The audit committee can confirm that there were no such complaints of substance during the year under review.
- Reviewed group tax exposures and assessed the appropriateness of the group's tax policies. Considered any contentious tax matters that could have a material impact on the financial statements.
- Reviewed group treasury reports and group funding requirements and recommended financing proposals to the board.
- Reviewed progress on litigation and legal exposures and the related accounting applied and disclosure included in these annual financial statements.
- Received regular updates from management on the repatriation of funds from sanctioned territories.
- Considered the appropriateness of management judgements, estimates made and the accounting treatment of significant transactions.
- Reviewed the integrated report for consistency with operational and financial information known to the audit committee members.

Significant matters that the audit committee considered in relation to the annual financial statements are listed below. In making its assessment in each of the items below, the audit committee considered the key audit matters as outlined in the external auditor's report on page 4 and questioned senior management in arriving at their conclusions.

Report of the audit committee continued

for the year ended 30 June 2021

Fair and balanced reporting

The audit committee considered the appropriateness of the group's financial reporting to ensure fair and balanced reporting is achieved. The audit committee reviewed submissions and presentations by management on the financial results, significant transactions, critical accounting judgements and assumptions as well as views by the group's external auditor on key audit matters and internal auditors on internal financial controls.

The audit committee has recommended that the board approve both the summarised preliminary results and annual financial statements.

Impact of the COVID-19 pandemic

The pandemic had an impact on the group's financial risk, including the credit risk relating to its customers. Further impacts of the pandemic resulted in impairment charges on goodwill, other intangible assets and properties.

The audit committee reviewed the impact of COVID-19 on the financial risks of the group and the related impacts on the annual financial statements. It considered management's assessment of expected credit losses (ECLs) on receivables. The audit committee also considered COVID-19 as an impairment trigger for CGUs and the relevant disclosure of the impact of COVID-19 on the financial statements.

The audit committee was satisfied that the impact of COVID-19 was appropriately assessed and disclosed, and that management's assessment, calculations and disclosures on ECL and impairment of assets were appropriate.

Judgements relating to deferred tax and tax uncertainties

The group operates in different jurisdictions, with complex tax legislations requiring judgement in recognising tax liabilities. There is also judgement needed in recognising deferred tax assets. Refer to note 1.26 for detail on the judgements.

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

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

Judgement applied regarding the impairment of goodwill and indeterminate useful life intangible assets

Acquisitions made during the current and prior years resulted in the recognition of goodwill. Goodwill is tested at least annually for impairment to assess whether the recoverable amounts exceed the carrying amounts. The calculation of the recoverable amounts require judgement relating to future cash flows, discount rates and terminal growth rates (note 1.8 and note 4).

The audit committee reviewed the annual impairment testing performed by management. It reviewed the underlying key assumptions supporting the future cash flows in the context of the CGU's business plans and considered the reasonableness of the discount rates and terminal growth rates applied. The audit committee also considered the views from the group's external auditor on the impairment methodology applied, its assessment of the reasonableness of the key assumptions and sensitivities to changes in these assumptions.

The audit committee was satisfied that the analysis and calculations performed by management and the related impairments and disclosure in the annual financial statements were appropriate.

Judgements applied in the valuation of put option liabilities and contingent consideration liabilities

The put option liabilities in respect of non-controlling interests arise from contractual arrangements whereby the non-controlling shareholders of Eco Health Limited have the right to put their remaining interest in Eco Health to Imperial Capital Limited and where the non-controlling shareholders of Parcel Ninja (Proprietary) Limited have the right to put their remaining shareholding to Imperial Logistics South Africa Holdings (Proprietary) Limited at a future date.

In arriving at the carrying value of the liabilities the future earnings are estimated and discounted to calculate the present value.

The audit committee was satisfied that the assumptions used and the methodologies applied in arriving at the carrying value of the liabilities and the related disclosure in the annual financial statements were appropriate. Refer to notes 1.25, 20 and 35.2.2.

Chief financial officer and finance function

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

Proactive monitoring

The audit committee has considered the documents set out in Annexure 3 of the JSE's 2020 report-back on proactive monitoring of financial statements issued on 19 February 2021 and, where necessary, those of previous periods, and has taken appropriate action as highlighted in the JSE findings when preparing the preliminary results and the annual financial statements for the year ended 30 June 2021; and that appropriate action will be taken in the next publication of the company's interim results.

Annual financial statements and summarised annual financial statements

Following the review by the committee of the consolidated and separate annual financial statements of Imperial Logistics Limited for the year ended 30 June 2021, the audit committee is of the view that in all material respects they comply with the relevant provisions of the Act and IFRS, and fairly present the consolidated and separate financial positions at that date and the results of operations and cash flows for the year then ended.

Having achieved its objectives, the audit committee has recommended the consolidated and separate annual financial statements for the year ended 30 June 2021 for approval to the board.

NB Duker
Group audit committee chairman

7 September 2021

Directors' report

for the year ended 30 June 2021

Nature of business

Imperial Logistics Limited (the company) was incorporated in the Republic of South Africa in 1946 (company registration number: 1946/021048/06) and carries on the business of freight management, contract logistics and market access through its subsidiary companies, associated companies and joint ventures. The company's shares are listed on the JSE under JSE:IPL in the industrial sector.

The company's registered address is Imperial Place, Jeppe Quondam, 79 Boeing Road East, Bedfordview, 2007.

Compliance with financial reporting standards

The group and the company annual financial statements were prepared in accordance with IFRS as issued by the IASB and Interpretations as issued by the IFRIC and comply with the SAICA Financial Reporting Guides as issued by the APC and Financial Reporting Pronouncements as issued by the FRSC, the JSE Listings Requirements and the requirements of the Companies Act.

Financial performance

The group reported net attributable profits for the year ended 30 June 2021 of R951 million (2020: R303 million loss). Basic earnings per share for the year was 512 cents compared to a loss per share of 161 cents in the comparative year. Full details of the financial results of the group and the company are set out in these consolidated annual financial statements and accompanying notes for the year ended 30 June 2021.

Related party transactions

Details of related party transactions are disclosed in note 34 of these annual financial statements.

Borrowing powers

In terms of the memorandum of incorporation (MoI), the borrowing powers of the company are unlimited. However, all borrowings by the company and its subsidiaries are subject to limitations set by the treasury policy of the group and by externally imposed debt covenants on bank facilities. The details of borrowings and externally imposed covenants are disclosed in note 18 and note 35.3, respectively.

Going concern

The directors have reviewed the group's and the company's budget and the profitability and cash flows forecast for the 24-month period ending 30 June 2023. On the basis of this review, and given the current financial position and existing borrowing facilities at 30 June 2021, the directors are satisfied that the company and the group have access to adequate resources to continue as a going concern in the foreseeable future. The directors therefore continued to adopt the going concern basis in preparing the annual financial statements.

Subsidiary companies

Details of subsidiary companies in which the group has a direct or indirect interest are disclosed in note 36 of these annual financial statements.

Distribution to shareholders

Prior to declaring dividends, the board applies the solvency and liquidity test to assess whether the company would satisfy the solvency and liquidity test immediately after payment of the proposed dividend. Payments of future dividends will depend on the ongoing assessment of the group's earnings, financial position and cash flow requirements.

An interim ordinary dividend of 83 cents per share was declared on 23 February 2021 and paid on 23 March 2021. Due to the DP World offer no final dividend for the 2021 financial year was declared.

Share capital and shares repurchased

There was no change in the authorised share capital of the company during the year. Details of the authorised and issued share capital are disclosed in note 14 and details of shares repurchased are disclosed in note 15 in the annual financial statements.

At the last AGM held on 9 November 2020, shareholders gave the company and any of its subsidiaries a general approval in terms of section 48 of the Companies Act, by way of special resolution, for the repurchase of its own shares. At the same AGM the directors of the company were given general authority to issue no more than 5% of the issued ordinary shares at 30 June 2020.

During the 2021 financial year the company, through its subsidiary, repurchased 2 800 000 ordinary shares, and 831 469 deferred ordinary shares converted into ordinary shares.

The number of shares in issue at 30 June 2021 and the movement during the year was as follows:

	Shares in issue	Shares repurchased	Net of shares repurchased
Ordinary shares			
Shares at beginning of year	**202 074 388**	**(8 592 791)**	**193 481 597**
Conversion of deferred ordinary shares to ordinary shares	**831 469**		**831 469**
Shares acquired to hedge share schemes		**(2 800 000)**	**(2 800 000)**
Shares delivered to settle share schemes		**443 428**	**443 428**
Shares at end of year	**202 905 857**	**(10 949 363)**	**191 956 494**
Deferred ordinary shares			
Shares at beginning of year	**6 036 422**		**6 036 422**
Conversion of deferred ordinary shares to ordinary shares	**(831 469)**		**(831 469)**
Shares at end of year	**5 204 953**		**5 204 953**
Total ordinary and deferred ordinary shares in issue	**208 110 810**	**(10 949 363)**	**197 161 447**

Shareholders' interest

Details of shareholders' interest and a shareholder spread analysis are disclosed in Annexure A of these annual financial statements.

Retirement by rotation of directors

In accordance with the MoI, GW Dempster and RJA Sparks retire by rotation at the forthcoming AGM but, being eligible, offer themselves for re-election.

Directors, appointments and resignations

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

Mr R Venter resigned as company secretary with effect from 9 November 2020. Mr J Ravjee was appointed acting company secretary on the same date until a permanent appointment is made. Ms H Adesola and Ms J Anammah were appointed to the board on 22 February 2021.

Directors' and prescribed officers' interest, shareholdings and dealings

Details of the interest of directors and prescribed officers' shareholdings and share dealings are disclosed in note 39 of these annual financial statements.

Share incentive schemes

Details of the group's share schemes are provided in note 16 of these annual financial statements.

Disposal of subsidiaries and businesses

European shipping operations

Implemented on 31 July 2020, Imperial disposed of its interest in its European shipping business to the Cologne-based Häfen und Güterverkehr Köln AG (HGK). The aggregate purchase price was settled by HGK in full and in cash on the date of implementation. The shipping business was non-core to Imperial's strategic imperative. The proceeds from this sale were used to pay down existing debt in the short term.

Pharmed

The sale of Pharmed in South Africa to the Arrie Nel Pharmacy Group was concluded on 13 November 2020.

South American shipping operations

On 16 April 2021 Imperial Mobility International BV, Imperial Logistics International B.V. & Co. KG and Imperial Fleet Services GmbH, all wholly owned subsidiaries of Imperial, closed a transaction in respect of the sale of its respective interest, being assets, shares and claims, in its South American shipping business to Hidrovias do Brazil S.A. and other wholly owned subsidiaries of Hidrovias do Brazil.

The assets and liabilities disposed and the proceeds received are disclosed in aggregate in note 30.3 of these annual financial statements.

Directors' report continued

for the year ended 30 June 2021

Changes in shareholding without a change in control

The effects of changes in the group's ownership interest in subsidiaries that did not result in a loss of control is disclosed in note 16.3 of these annual financial statements.

Acquisition of subsidiaries and businesses

Details of new businesses acquired during the year are disclosed in note 37 of these annual financial statements. None of the businesses acquired were individually material to the group as total consideration transferred amounted to R86 million, resulting in goodwill of R67 million. The fair value of the assets acquired and the liabilities assumed at date of acquisition are disclosed in aggregate in note 30.2 in these annual financial statements.

Internal financial controls

During the year under review, the board, through the audit committee, assessed the results of the formal documented review of the group's system of internal controls and risk management, including the design, implementation and effectiveness of the internal financial controls conducted by internal audit, and considered information and explanations given by management and discussions with the external auditor on the results of its audit. Although certain weaknesses in financial controls, whether in design, implementation or execution, were identified, the internal financial controls are considered adequate and effective and can be relied upon in compiling the annual financial statements. Where deficiencies in the design and operational effectiveness of internal financial controls have been identified, remedial actions have been initiated.

COVID-19 pandemic

Stringent safety and social distancing procedures remain in place, with dedicated resources allocated to support and monitor COVID-19-related risks at each operation. Most of our employees who tested positive for COVID-19 have fully recovered, but sadly, 24 of our colleagues succumbed to the virus.

In April 2021, as part of the national Department of Health's vaccine distribution campaign, Imperial was awarded the opportunity to import the COVID-19 vaccines into South Africa, together with Biovac. The contract runs until December 2022. Imperial remains well placed to transport, store and distribute the COVID-19 vaccine from a capability perspective. As vaccines become available, Imperial has set up a task force across our Market Access and Logistics Africa businesses to ensure that we can participate in the distribution of these vaccines where opportunities arise.

Businesses exposed to liquor and tobacco sales in Africa and our European operations in the automotive sector have seen negative impacts on volumes due to continued lockdown restrictions and semiconductor shortages during the financial year.

Throughout the COVID-19 pandemic the group has maintained a sound financial position, generating cash, tightly managing costs and executing our strategic imperatives to make us resilient for the future.

We further continue to support all our key stakeholders and countries of operation, strongly demonstrating our purpose as a business, which is connecting Africa and the world and improving people's lives with access to quality products and services.

Events after the reporting period

Social unrest

The social unrest experienced in South Africa during July 2021 has had a negative impact on the group's financial performance. The group is adequately covered against losses to its assets.

Deep Catch acquisition

The group entered into an agreement for the acquisition of 100% of Deep Catch Namibia Holdings (Deep Catch) for an estimated purchase consideration of R633 million. Deep Catch is a diversified and vertically integrated business engaged in the wholesale, distribution and cold storage of perishable foods in Namibia, South Africa, Zimbabwe and Zambia. The acquisition is in line with Imperial's 'Gateway to Africa' strategy, providing our Market Access business with opportunities to increase our reach into the consumer market and expand our footprint on the African continent. The transaction is subject to the fulfilment of regulatory approval and other outstanding conditions.

J&J Group acquisition

On the 29 July 2021 the group entered into an agreement for the acquisition of 51% of J&J Group for an estimated purchase consideration of R1,184 million. The J&J Group's core business is cross-border trucking, supported by integrated end-to-end transport logistics solutions from initial vessel logistics to warehousing, short haul in-country transport and specialised transport. It provides our Logistics Africa business with the opportunity to access the Beira and North-South corridors and expand our footprint on the African continent. The transaction is subject to the fulfilment of regulatory approval and other outstanding conditions.

Broad-Based Black Economic Empowerment (B-BBEE) Transaction

As set out in the announcement and circular published on SENS on Friday, 25 June 2021, the group entered into transaction agreements with Afropulse and Willowton in relation to a proposed transaction that will provide the B-BBEE shareholders with an opportunity to participate in a 25% B-BBEE shareholding in Imperial Logistics South Africa Group (Proprietary) Limited (ILSA). The effective B-BBEE ownership of ILSA post implementation of the transaction will be more than 51%, with more than 30% black women ownership until the Ukhamba structure ends. Shareholder approval was obtained on 26 July 2021 and the deal was concluded on 30 July 2021 with the receipt of the initial proceeds of R302 million.

DP World offer

As announced in July 2021, Imperial entered into a transaction implementation agreement regarding a cash offer of R66 per share from DP World Logistics FZE (DP World) to acquire all outstanding shares of Imperial.

The transaction is subject to regulatory and shareholder approvals, and other conditions precedent.

In the event that all conditions precedent are met, DP World will acquire all the outstanding shares of Imperial. This will result in the delisting of Imperial's ordinary shares from the JSE and the termination of Imperial's American Depository Receipt programme.

The consent of debt funders is required under certain facility agreements in order to prevent an acceleration of the facilities provided pursuant to those agreements.

Annual General Meeting (AGM)

The AGM will be held on Monday, 8 November 2021. Refer to the notice of the AGM when issued for further details of the ordinary and special resolutions for consideration at the meeting.

External auditor

Deloitte & Touche was the group auditor in accordance with section 90 of the Companies Act for the 2021 financial year.

The audit committee reviewed the independence of the auditors during the year and satisfied itself that the auditors were independent of the group.

Consolidated statement of financial position^

as at 30 June 2021

	Notes	2021 Rm	2020 Rm
ASSETS			
Goodwill and intangible assets	4	**6 121**	7 084
Investment in associates and joint ventures	36.3	**201**	198
Property, plant and equipment	5	**2 937**	3 326
Transport fleet	6	**3 132**	5 186
Right-of-use assets	7	**4 297**	5 422
Deferred tax assets	8	**1 384**	1 510
Investments and other financial assets	9	**337**	271
Inventories	10	**2 473**	2 676
Tax in advance		**133**	221
Contract assets	11.2	**226**	565
Trade and other receivables	11.1	**7 853**	7 369
Cash resources	12	**1 235**	3 374
Assets of disposal group			598
Assets of discontinued operations			4 726
Total assets		**30 329**	42 526
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and share premium	14	**1 030**	1 030
Shares repurchased	15	**(865)**	(789)
Other reserves	16	**366**	1 397
Retained earnings		**6 431**	5 682
Attributable to owners of Imperial		**6 962**	7 320
Put arrangement over non-controlling interests		**(284)**	(266)
Non-controlling interests		**1 081**	1 218
Total equity		**7 759**	8 272
Liabilities			
Retirement benefit obligations	17	**899**	1 109
Interest-bearing borrowings	18	**2 861**	9 017
Lease obligations	19	**3 429**	4 468
Deferred tax liabilities	8	**609**	901
Other financial liabilities	20	**912**	1 415
Provisions for liabilities and other charges	21	**703**	903
Trade and other payables	22	**9 062**	9 163
Current tax liabilities		**246**	375
Current portion of interest-bearing borrowings	18	**2 412**	2 748
Current portion of lease obligations	19	**1 437**	1 612
Liabilities associated with disposal group			356
Liabilities of discontinued operations			2 187
Total liabilities		**22 570**	34 254
Total equity and liabilities		**30 329**	42 526

^ Please refer to note 3.

Consolidated statement of profit or loss^

for the year ended 30 June 2021

	Notes	2021 Rm	2020 Rm
CONTINUING OPERATIONS			
Revenue	23.1	**52 208**	46 380
Net operating expenses	24	**(47 222)**	(42 282)
Profit from operations before depreciation, impairments and recoupments		**4 986**	4 098
Depreciation, amortisation, impairments and recoupments	25.1	**(2 650)**	(2 639)
Operating profit before the items listed below		**2 336**	1 459
Impairment to properties net of recoupments	25.2	**(118)**	(194)
Amortisation and impairment of intangible assets arising on business combinations		**(404)**	(393)
Foreign exchange gains		**210**	93
Remeasurement of financial liabilities and capital items	26	**(477)**	52
Profit before finance costs		**1 547**	1 017
Finance cost	27	**(785)**	(805)
Finance income	27	**43**	43
Profit before share of results of associates and joint ventures		**805**	255
Share of results of associates and joint ventures		**3**	22
Profit before tax		**808**	277
Income tax expense	28	**(274)**	(159)
Profit for the year from continuing operations		**534**	118
DISCONTINUED OPERATIONS		**593**	(344)
Net loss from Consumer Packaged Goods (CPG)			(305)
Net profit (loss) from the European shipping business	13	**593**	(39)
Net profit (loss) for the year		**1 127**	(226)
Net profit (loss) attributable to:			
Owners of Imperial		**951**	(303)
– Continuing operations		**358**	42
– Discontinued operations		**593**	(345)
Non-controlling interests		**176**	77
– Continuing operations		**176**	76
– Discontinued operations			1
Earnings (loss) per share (cents)	29		
Continuing operations			
– Basic		**193**	22
– Diluted		**184**	22
Discontinued operations			
– Basic		**319**	(183)
– Diluted		**305**	(177)
Total operations			
– Basic		**512**	(161)
– Diluted		**489**	(155)

^ Please refer to note 3.

Consolidated statement of comprehensive income^

for the year ended 30 June 2021

	2021 Rm	2020 Rm
Net profit (loss) for the year	**1 127**	(226)
Other comprehensive income	**(1 168)**	909
Items that may be reclassified subsequently to profit or loss	**(1 202)**	975
Exchange (losses) gains arising on translation of foreign operations	**(1 262)**	1 004
Movement in hedge accounting reserve	**60**	(29)
– Effective portion of changes in fair value of cash flow hedges	**70**	(39)
– Amount removed from hedge accounting reserve on matured contracts	**11**	(1)
– Income tax relating to hedge accounting reserve movements	**(21)**	11
Items that may not be reclassified subsequently to profit or loss	**34**	(66)
Remeasurement of defined benefit obligations	**48**	(100)
Income tax on remeasurement of defined benefit obligations	**(14)**	34
Total comprehensive (loss) income for the year	**(41)**	683
Total comprehensive (loss) income attributable to:		
Owners of Imperial	**(83)**	475
Non-controlling interests	**42**	208
	(41)	683

^ Please refer to note 3.

Consolidated statement of cash flows^
for the year ended 30 June 2021

	Notes	2021 Rm	2020 Rm
Cash flows from operating activities			
Cash receipt from customers		**50 885**	54 387
Cash paid to suppliers and employees		**(47 023)**	(49 292)
Cash generated by operations before interest and taxes paid	30.1	**3 862**	5 095
Finance cost paid		**(750)**	(963)
Finance income received		**43**	45
Tax paid		**(519)**	(367)
		2 636	3 810
Cash flows from investing activities			
Acquisition of subsidiaries and businesses	30.2	**(83)**	(304)
Disposal of subsidiaries and businesses	30.3	**4 278**	28
Expansion capital expenditure		**(554)**	(747)
Net replacement capital expenditure	30.4	**(179)**	(735)
Net movement in other associates and joint ventures	30.5	**(69)**	45
Net movement in investments, loans and non-current financial instruments	30.6	**(80)**	(59)
		3 313	(1 772)
Cash flows from financing activities			
Hedge cost premium paid		**(4)**	(2)
Payment of interest-rate swap instrument		**(46)**	(11)
Repurchase of ordinary shares		**(101)**	(225)
Dividends paid		**(279)**	(658)
Change in non-controlling interests	16.3	**(122)**	(277)
Net (decrease) increase in other interest-bearing borrowings	30.7	**(5 922)**	2 828
Repayments of lease obligations		**(1 801)**	(2 032)
		(8 275)	(377)
Net (decrease) increase in cash resources		**(2 326)**	1 661
Effects of exchange rate changes on cash resources in a foreign currency		**(25)**	279
Cash resources at beginning of year		**3 586**	1 646
Cash resources at end of year	30.8	**1 235**	3 586

^ Please refer to note 3.

Consolidated statement of changes in equity^

for the year ended 30 June 2021

	Share capital and premium Rm	Shares repurchased Rm	Share-based payment reserve Rm	Hedge accounting reserve Rm	Statutory reserve Rm
At 30 June 2019	1 030	(586)	(77)	(40)	57
Total comprehensive income for the year				(29)	
Share-based cost charged to profit or loss			36		
Share-based equity reserve transferred to retained earnings on vesting			(9)		
Treasury shares delivered to settle share-based obligations		22	(22)		
Share-based equity reserve hedge cost			(1)		
Statutory reserve transferred to retained earnings					(3)
Ordinary dividend of 109 cents per share paid in September 2019					
Ordinary dividend of 167 cents per share paid in March 2020					
Repurchase of 4 037 273 shares		(225)			
Non-controlling interests acquired in business combinations, net of disposals and shares issued					
Net decrease in non-controlling interests through buy-outs					
Non-controlling interests share of dividends					
At 30 June 2020	**1 030**	**(789)**	**(73)**	**(69)**	**54**
Total comprehensive loss for the year				**60**	
Share-based cost charged to profit or loss			**(6)**		
Share-based equity reserve transferred to retained earnings on vesting			**85**		
Treasury shares delivered to settle share-based obligations		**25**	**(25)**		
Share-based equity reserve hedge benefit			**42**		
Ordinary dividend of 83 cents per share paid in March 2021					
Repurchase of 2 800 000 shares		**(101)**			
Non-controlling interests acquired in business combinations, net of disposals and shares issued					
Increase in put arrangement over non-controlling interests					
Net decrease in non-controlling interests through buy-outs					
Realisation on disposal of subsidiaries			**1**		**(2)**
Non-controlling interests share of dividends					
At 30 June 2021	**1 030**	**(865)**	**24**	**(9)**	**52**

^ Please refer to note 3.

Foreign currency reserve Rm	Premium paid on purchase of non-controlling interests Rm	Retained earnings Rm	Attributable to owners of Imperial Rm	Put arrangement over non-controlling interests Rm	Non-controlling interests Rm	Total equity Rm
1 879	(1 058)	6 569	7 774	(527)	913	8 160
873		(369)	475		208	683
			36		2	38
		9				
			(1)			(1)
		3				
		(208)	(208)			(208)
		(322)	(322)			(322)
			(225)			(225)
					329	329
	(209)		(209)	261	(106)	(54)
					(128)	(128)
2 752	**(1 267)**	**5 682**	**7 320**	**(266)**	**1 218**	**8 272**
(1 128)		**985**	**(83)**		**42**	**(41)**
			(6)			**(6)**
		(85)				
			42			**42**
		(157)	**(157)**			**(157)**
			(101)			**(101)**
	7		**7**		**5**	**12**
				(66)		**(66)**
	(60)		**(60)**	**48**	**(62)**	**(74)**
(5)		**6**				
					(122)	**(122)**
1 619	**(1 320)**	**6 431**	**6 962**	**(284)**	**1 081**	**7 759**

Segmental information – continuing operations

for the year ended 30 June 2021

Profit or loss for the year	Imperial Logistics 2021 Rm	Imperial Logistics 2020^ Rm	Logistics Africa 2021 Rm	Logistics Africa 2020^ Rm
Revenue	**52 208**	46 380	**15 804**	15 567
– Freight Management	**24 132**	21 892	**11 306**	11 213
– Contract Logistics	**13 186**	12 378	**4 498**	4 354
– Market Access	**15 274**	12 122		
– Head Office and Eliminations	**(384)**	(12)		
Profit from operations before depreciation, impairments and recoupments	**4 986**	4 098	**1 997**	1 710
– Freight Management	**2 555**	2 040	**1 557**	1 314
– Contract Logistics	**1 475**	1 270	**440**	396
– Market Access	**935**	756		
– Head Office and Eliminations	**21**	32		
Operating profit*	**2 336**	1 459	**987**	756
– Freight Management	**1 183**	678	**809**	671
– Contract Logistics	**354**	144	**178**	85
– Market Access	**784**	611		
– Head Office and Eliminations	**15**	26		
Depreciation, amortisation, impairments and recoupments	**(3 172)**	(3 226)	**(1 151)**	(1 043)
– Freight Management	**(1 618)**	(1 686)	**(812)**	(651)
– Contract Logistics	**(1 226)**	(1 232)	**(339)**	(392)
– Market Access	**(305)**	(303)		
– Head Office and Eliminations	**(23)**	(5)		
Net finance cost	**(742)**	(762)	**(339)**	(316)
– Freight Management	**(364)**	(344)	**(229)**	(185)
– Contract Logistics	**(217)**	(232)	**(110)**	(131)
– Market Access	**(164)**	(195)		
– Head Office and Eliminations	**3**	9		
Pre-tax profits*	**1 313**	504	**474**	358
– Freight Management	**544**	22	**495**	498
– Contract Logistics	**20**	(207)	**(21)**	(140)
– Market Access	**387**	494		
– Head Office and Eliminations	**362**	195		
ADDITIONAL SEGMENT INFORMATION				
Analysis of revenue by type				
– Sale of goods	**15 763**	12 647	**797**	431
– Rendering of services	**36 445**	33 733	**14 781**	15 022
External revenue	**52 208**	46 380	**15 578**	15 453
Inter-group revenue			**226**	114
	52 208	46 380	**15 804**	15 567
Analysis of depreciation, amortisation, impairments and recoupments	**(3 172)**	(3 226)	**(1 151)**	(1 043)
Depreciation and amortisation	**(2 675)**	(2 552)	**(1 032)**	(1 043)
Recoupments and impairments	**(93)**	(281)	**(54)**	55
Amortisation and impairment of intangible assets arising from business combinations	**(404)**	(393)	**(65)**	(55)
Share of results of associates and joint ventures (included in pre-tax profits)	**3**	22	**3**	2
Operating margin (%)	**4**	3	**6**	5
Impairment of goodwill	**(40)**	(223)	**(11)**	(46)
Items excluded from pre-tax profits	**(505)**	(227)		
Impairment of goodwill	**(40)**	(223)		
Loss on disposal of subsidiaries and businesses	**(520)**	(23)		
Profit on disposal of associates and joint ventures		40		
Impairment of investments and loans advanced to associates and joint ventures	**(11)**	(2)		
Impairment of equity investments	**1**	(26)		
Net gain on termination of leases	**65**	7		

* Refer to glossary of terms on page 101.
^ Restated to align to the new segmentation and transfers of businesses across segments. Refer to note 3.2.
~ Businesses held for sale include Pharmed and South American shipping businesses.

Market Access		Logistics International		Businesses held for sale~		Head Office and Eliminations	
2021 Rm	2020^ Rm	**2021 Rm**	2020^ Rm	**2021 Rm**	2020^ Rm	**2021 Rm**	2020^ Rm
15 127	11 661	**21 158**	18 114	**503**	1 050	**(384)**	(12)
		12 826	10 679				
		8 332	7 435	**356**	589		
15 127	11 661			**147**	461		
						(384)	(12)
956	852	**1 990**	1 456	**22**	48	**21**	32
		998	726				
		992	730	**43**	144		
956	852			**(21)**	(96)		
						21	32
806	711	**542**	(13)	**(14)**	(21)	**15**	26
		374	7				
		168	(20)	**8**	79		
806	711			**(22)**	(100)		
						15	26
(304)	(299)	**(1 657)**	(1 811)	**(37)**	(68)	**(23)**	(5)
		(806)	(1 035)				
		(851)	(776)	**(36)**	(64)		
(304)	(299)			**(1)**	(4)		
						(23)	(5)
(159)	(174)	**(188)**	(175)	**(59)**	(106)	**3**	9
		(135)	(159)				
		(53)	(16)	**(54)**	(85)		
(159)	(174)			**(5)**	(21)		
						3	9
414	615	**143**	(543)	**(80)**	(121)	**362**	195
		49	(476)				
		94	(67)	**(53)**			
414	615			**(27)**	(121)		
						362	195
15 030	11 628	**85**	138	**148**	449	**(297)**	1
97	33	**21 009**	17 972	**355**	601	**203**	105
15 127	11 661	**21 094**	18 110	**503**	1 050	**(94)**	106
		64	4			**(290)**	(118)
15 127	11 661	**21 158**	18 114	**503**	1 050	**(384)**	(12)
(304)	(299)	**(1 657)**	(1 811)	**(37)**	(68)	**(23)**	(5)
(152)	(142)	**(1 447)**	(1 292)	**(37)**	(69)	**(7)**	(6)
(2)	1	**(21)**	(338)		1	**(16)**	
(150)	(158)	**(189)**	(181)				1
(3)	4	**3**	16				
5	6	**3**					
(29)	(172)		(5)				

Segmental information – continuing operations continued

at 30 June 2021

Financial position at 30 June	Imperial Logistics 2021 Rm	Imperial Logistics 2020^ Rm	Logistics Africa 2021 Rm	Logistics Africa 2020^ Rm
Assets				
Goodwill and intangible assets	**6 121**	7 084	**243**	297
Property, plant and equipment	**2 937**	3 326	**1 460**	1 509
Transport fleet	**3 132**	5 186	**2 872**	3 146
Right-of-use assets	**4 297**	5 422	**1 143**	1 732
Investments in associates and joint ventures (excluding loans advanced to associates)	**182**	160	**55**	14
Investments	**155**	92	**25**	22
Inventories	**2 473**	2 676	**270**	285
Trade, other receivables and contract assets	**8 079**	7 934	**2 650**	2 473
Operating assets~	**27 376**	31 880	**8 718**	9 478
– South Africa	**9 141**	9 638	**8 718**	9 478
– Rest of Africa	**7 392**	7 798		
– International	**10 843**	14 444		
Liabilities				
Retirement benefit obligations	**899**	1 109		
Trade and other payables and provisions	**9 765**	10 066	**3 187**	3 295
Other financial liabilities	**397**	769	**13**	13
Operating liabilities~	**11 061**	11 944	**3 200**	3 308
– South Africa	**3 353**	3 563	**3 200**	3 308
– Rest of Africa	**3 034**	3 111		
– International	**4 674**	5 270		
Net working capital*~	**787**	544	**(267)**	(537)
– South Africa	**(456)**	(750)	**(267)**	(537)
– Rest of Africa	**1 726**	1 689		
– International	**(483)**	(395)		
Net debt	**4 038**	8 391	**2 159**	2 684
– South Africa	**2 418**	2 629	**2 159**	2 684
– Rest of Africa	**1 196**	1 302		
– International	**424**	4 460		
Lease obligations	**4 866**	6 080	**1 365**	1 981
– South Africa	**1 367**	1 981	**1 365**	1 981
– Rest of Africa	**304**	348		
– International	**3 195**	3 751		
Net capital expenditure~	**(733)**	(1 482)	**(151)**	(784)
– South Africa	**(400)**	(764)	**(151)**	(784)
– Rest of Africa	**(89)**	(81)		
– International	**(244)**	(637)		
Items excluded from total assets to arrive at operating assets	**2 953**	10 646		
Loans to associates and joint ventures	**19**	38		
Other non-current financial assets	**182**	179		
Deferred tax assets	**1 384**	1 510		
Tax in advance	**133**	221		
Cash resources	**1 235**	3 374		
Assets of disposal groups		598		
Assets of discontinued operations		4 726		
Items excluded from total liabilities to arrive at operating liabilities	**11 509**	22 310		
Interest-bearing borrowings	**5 273**	11 765		
Lease obligations	**4 866**	6 080		
Deferred tax liabilities	**609**	901		
Put option liability	**515**	646		
Current tax liabilities	**246**	375		
Liabilities associated with disposal groups		356		
Liabilities associated with discontinued operations		2 187		

* Net working capital relating to the CPG discontinued operation that was recovered or settled through the ordinary course of business and not through sale was shown separately in the prior year reported segment but combined in the Logistics Africa segment in the current year.

^ Restated to align to the new segmentation and transfers of businesses across segments. Refer to note 3.2. Refer to note 13 for disclosure on discontinued operations.

~ Refer to glossary of terms on page 101.

Market Access 2021 Rm	Market Access 2020^ Rm	Logistics International 2021 Rm	Logistics International 2020^ Rm	CPG 2021 Rm	CPG 2020^ Rm	European shipping division 2021 Rm	European shipping division 2020^ Rm	Head Office and Eliminations 2021 Rm	Head Office and Eliminations 2020^ Rm
2 301	2 947	**3 288**	3 824					**289**	16
310	342	**1 100**	1 374					**67**	101
		260	2 040						
278	314	**2 875**	3 376					**1**	
108	44	**19**	102						
		9	11					**121**	59
2 092	2 208	**111**	183						
2 303	1 943	**3 181**	3 534					**(55)**	(16)
7 392	7 798	**10 843**	14 444					**423**	160
								423	160
7 392	7 798								
		10 843	14 444						
		899	1 109						
2 669	2 462	**3 775**	4 112					**134**	197
365	649		49					**19**	58
3 034	3 111	**4 674**	5 270					**153**	255
								153	255
3 034	3 111								
		4 674	5 270						
1 726	1 689	**(483)**	(395)					**(189)**	(213)
								(189)	(213)
1 726	1 689								
		(483)	(395)						
1 196	1 302	**424**	4 460					**259**	(55)
								259	(55)
1 196	1 302								
		424	4 460						
304	348	**3 195**	3 751					**2**	
								2	
304	348								
		3 195	3 751						
(89)	(81)	**(212)**	(280)		24	**(32)**	(357)	**(249)**	(4)
					24			**(249)**	(4)
(89)	(81)								
		(212)	(280)			**(32)**	(357)		

Notes to the consolidated annual financial statements

for the year ended 30 June 2021

1 ACCOUNTING POLICIES

The principal accounting policies adopted and the methods of computation used in the preparation of these consolidated annual financial statements are set out below and are consistent in all material respects with those applied during the previous year, except for the adoption of Headline Earnings Circular 1/2021. The impact of new policies is noted in note 2.

1.1 Statement of compliance

The consolidated annual financial statements are stated in South African Rand and are prepared in accordance with IFRS and its interpretations adopted by the IASB in issue and effective for the group as at 30 June 2021 and the SAICA Financial Reporting Guides, as issued by the APC and financial reporting pronouncements as issued by the FRSC and the Companies Act of South Africa.

1.2 Basis of measurement

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

1.3 Consolidation

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

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

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

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

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

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

All intergroup transactions, balances and unrealised income and expenses are eliminated in full.

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

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

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

1.4 Business combinations

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

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

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

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

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

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

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

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

1 ACCOUNTING POLICIES continued

1.5 Foreign currencies

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

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

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

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

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

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

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

1.6 Investment in associates

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

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

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

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

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

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

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

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

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

1.7 Interests in joint ventures

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

Where the joint venture is a joint operation the entity is accounted for by proportionate consolidation. This would be the proportionate consolidation of the income, expenses, assets, equity and liabilities of the entity.

1.8 Goodwill

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

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

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

1 ACCOUNTING POLICIES continued

1.8 Goodwill continued

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

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

Refer to note 4 for further detail on goodwill impairment testing.

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

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

1.9 Intangible assets

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

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

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

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

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

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

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

1.10 Impairment of tangible and intangible assets excluding goodwill

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

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

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

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1.11 Property, plant and equipment and transport fleet

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

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

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

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

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

1 ACCOUNTING POLICIES continued

1.11 Property, plant and equipment and transport fleet continued

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

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

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

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

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

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

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

1.12 Inventories

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

1.13 Leases

The group as lessee

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

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

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

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

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

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

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

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

1 ACCOUNTING POLICIES continued

1.13 Leases continued

The group as lessee continued

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

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

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

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

The group as lessor

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

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

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

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

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

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

1.14 Incentive schemes

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

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

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

1.15 Retirement benefit obligations

Defined contribution plans

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

Defined benefit plans

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

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

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

1.16 Provisions

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

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

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

1 ACCOUNTING POLICIES continued

1.16 **Provisions** continued

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

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

Dismantling and environmental risk

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

Restructuring

Restructuring provisions are recognised as follows:

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

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

1.17 **Income taxes**

The group considers whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax submissions.

If the relevant entity concludes that it is probable that a particular tax treatment is accepted, the entity determines income taxes consistently with the tax treatment included in its income tax submissions.

If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity uses the most likely amount or the expected value of the tax treatment when determining income taxes. The decision is based on which method provides better predictions of the resolution of the uncertainty.

Current tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

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

Dividends tax

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

1 ACCOUNTING POLICIES continued

1.18 Disposal group held for sale

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

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

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

1.19 Revenue recognition

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

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

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

Included in revenue are invoiced sales to customers for goods and services, rentals from vehicles for hire and commissions. Where the group acts as an agent and is remunerated on a commission basis, the commission is included in revenue. Where the group acts as principal, the total value of business handled is included in revenue.

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

Revenue from the rendering of services is measured using the stage of completion method based on the services performed to date as a percentage of the total services to be performed. Revenue from the rendering of services is recognised when the amount of the revenue, the related costs and the stage of completion can be measured reliably. Performance obligations regarding the group's revenue from freight management and contract logistics are satisfied over time, as the performance obligations are being fulfilled. Where goods are being transported, revenue is recognised based on the distance covered at the date of cut-off as a proportion of the total distance to the destination multiplied by the contract revenue amounts.

Transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring the promised goods or services to a customer, excluding amounts collected on behalf of third parties, eg VAT.

Transaction price is determined after taking into account the impact of the following:
- Variable consideration.
- The existence of a significant financing component.
- Non-cash consideration.
- Consideration payable to a customer.

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

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

The revenue contracts do not contain significant financing components.

1.20 Interest and dividend income

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

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

1.21 Borrowing costs

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

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

1.22 Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

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

Headline earnings per share

The presentation of headline earnings per share is mandated under the JSE Listings Requirements and is calculated in accordance with Circular 1/2021 – Headline Earnings, as issued by SAICA.

1.23 Share issue costs, shares repurchased and dividend payments

Share issue costs

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

Shares repurchased

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

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

Dividend payments to owners of Imperial

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

1.24 Segment information

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

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

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

1.25 Financial instruments

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

Classification

The group classifies financial assets and financial liabilities into the following categories:

- amortised cost;
- fair value through profit or loss; or
- net present value through profit or loss.

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

1 ACCOUNTING POLICIES continued

1.25 Financial instruments continued

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets

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

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

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

Cash resources are carried at amortised cost.

Subsequent measurement of financial liabilities

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

The put option liabilities are measured at the net present value of future payments. Contingent consideration liabilities (IFRS 3) are remeasured through profit or loss.

Hedge accounting

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

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

Impairment of financial assets not carried at fair value

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

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

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

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

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

Derecognition

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

Put arrangements over non-controlling interests

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

1 ACCOUNTING POLICIES continued

1.25 **Financial instruments** continued

Cash resources

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

1.26 **Significant accounting judgements, estimates and assumptions**

Consolidated statement of financial position presentation based on liquidity

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

To clearly identify assets and liabilities of discontinued operations and disposal groups (IFRS 5) these are disclosed as the last item under assets and liabilities, as these are being recovered through sale.

Refer to note 35 for the maturity profile of financial assets and financial liabilities.

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

Assets

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

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

Liabilities

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

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

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

Income taxes

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

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

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

Fair value measurement of financial instruments

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

Impairment of non-financial assets

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

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

1 ACCOUNTING POLICIES continued

1.26 Significant accounting judgements, estimates and assumptions continued

Impairment of non-financial assets continued

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

Retirement benefit obligations

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

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

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

Put option and contingent consideration liabilities

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

Leases

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

  The probability of exercising any purchase options is taken into account in determining the lease term, and this follows through in the measurement of the lease obligation and right-of-use asset if the lessee is reasonably certain that the exercise of this option will take place.

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

Discontinued operations

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

Presentation of statement of profit or loss

The group has maintained the presentation and classification of items in the financial statements according to those presented in the 2020 annual financial statements.

The statement of profit or loss includes additional line items, headings and subtotals that are relevant to an understanding of the group's financial performance.

The additional subtotals comprise line items made up of amounts recognised and measured in accordance with IFRS, they are presented and labelled in a manner that is clear and understandable, they are consistent from the 2020 financial year and they are not displayed with more prominence than the line items, totals and subtotals required in IFRS for the statement presenting profit or loss.

The group defines operating profit, a non-IFRS term, as revenue less expenses other than gains or losses on properties, impairment of properties, amortisation and impairment of intangible assets arising on business combinations, foreign exchange gains or losses and non-operating items, which are shown as separate line items in the statement of profit or loss.

Non-operating items include remeasurement of contingent considerations liabilities and put option liabilities and capital items such as profit or loss on disposal of subsidiaries and businesses, impairment of goodwill business acquisition costs net gain or loss on termination of leases. Note 26 provides details of all items included in non-operating items.

Finance costs, finance income, share of results of associates and joint ventures and income tax expense are shown separately, as required by IFRS.

1 ACCOUNTING POLICIES continued

1.27 Other accounting judgements, estimates and assumptions

Revenue recognition

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

Judgements made to determine the stage of completion of contracts include:
- Actual distance covered at cut-off date.
- Fuel cost inflation where fuel costs are part of the contract price.
- Minimum volume level specifications.

Provision for expected credit losses

Provision is made for ECLs based on management's estimate of the prospect of recovering the debt. Where management has determined that a debt is no longer recoverable, the amount is written off. Refer to note 35 for further information on credit risk.

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

Headline Earnings Circular 1/2021

The group has adopted Headline Earnings Circular 1/2021 in the current year. The circular was updated to include the negative variable rent under IFRS 16 in headline earnings, and to exclude compensation received from third parties for items of property, plant and equipment that were impaired, lost or given up in terms of IAS 16. There was no impact on the current or prior financial year headline earnings and headline earnings per share.

Implementation of IFRS Interpretations Committee agenda decision and new accounting policy

During the year, the group raised a new accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRS Interpretations Committee agenda decision clarifying how IFRS standards apply to these types of arrangements. There is no restatement of historical financial information resulting from the adoption.

New and revised IFRS in issue but not yet effective

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

3 PRESENTATION OF DISCONTINUED OPERATIONS AND BASIS OF SEGMENTATION

3.1 Presentation of discontinued operations

Financial statements

The results of CPG and the European shipping business are presented as a single line item in the consolidated statement of profit or loss under discontinued operations. The assets to be recovered through sale are shown under the 'Assets of discontinued operations' line on the consolidated statement of financial position. Net working capital on the consolidated statement of financial position includes working capital of the CPG discontinued operation that has and will be recovered or settled through the ordinary course of business and not through sale. The consolidated statement of changes in equity and the consolidated statement of cash flows are shown in total for continuing operations (Imperial Logistics) and discontinued operations. Further disclosures for CPG and the European shipping business are provided in note 13.

Notes to the financial statements

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

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

3 PRESENTATION OF DISCONTINUED OPERATIONS AND BASIS OF SEGMENTATION continued

3.2 Basis of segmentation

In line with the group's strategy, effective 1 July 2020, management of the group has been reorganised from a regional focus to the solutions we offer, with the following major reporting segments:

- Logistics Africa
  - Freight management
  - Contract logistics
- Market Access
- Logistics International
  - Freight management
  - Contract logistics

The reorganisation resulted in the representation of the segment reports, as some entities moved across segments and across capabilities. In addition, the trading results of the South American shipping business has been moved from Logistics International to Businesses held for sale. The revenue disclosed in note 23.3 has therefore been restated to bring it in line with the new segment report.

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 such as express LTL (less than load), palletised FTL (full truck load), liquid and dry bulk, ambient and refrigerated. When the outsource relationship is at the height of its maturity, we act as the Lead Logistics Provider (LLP), managing multiple supply chain functions on behalf of our clients, principals and customers.

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

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

	Goodwill Rm	Customer lists, contracts and networks# Rm	Computer software Rm	Other intangibles Rm	Total Rm
4 GOODWILL AND INTANGIBLE ASSETS					
At 30 June 2021					
Cost	**7 265**	**4 359**	**1 173**	**210**	**13 007**
Accumulated amortisation and impairment	**2 752**	**3 222**	**743**	**169**	**6 886**
	4 513	**1 137**	**430**	**41**	**6 121**
Net carrying value at beginning of year	**5 102**	**1 726**	**211**	**45**	**7 084**
Movements during the year					
Net acquisition (disposal) of subsidiaries and businesses (refer note 37)	**67**	**12**	**(1)**		**78**
Additions			**293**	**20**	**313**
Impairment charge	**(40)**	**(35)**			**(75)**
Amortisation		**(369)**	**(54)**	**(12)**	**(435)**
Currency adjustments	**(616)**	**(197)**	**(19)**		**(832)**
Reclassifications				**(12)**	**(12)**
Net carrying value at end of year	**4 513**	**1 137**	**430**	**41**	**6 121**
At 30 June 2020					
Cost	7 814	4 544	900	202	13 460
Accumulated amortisation and impairment	2 712	2 818	689	157	6 376
	5 102	1 726	211	45	7 084
Net carrying value at beginning of year	4 910	1 425	345	39	6 719
Movements during the year*					
Net acquisition of subsidiaries and businesses	477	375	3		855
Additions			70	9	79
Proceeds from disposal			(71)	(3)	(74)
Loss from disposal			(4)		(4)
Impairment charge	(223)	(19)	(102)		(344)
Amortisation		(374)	(73)	(15)	(462)
Currency adjustments	1 057	319	52	1	1 429
Reclassifications from property, plant and equipment			(2)	18	16
Reclassified to assets of discontinued operations	(1 119)		(7)	(4)	(1 130)
Net carrying value at end of year	5 102	1 726	211	45	7 084

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

\# Includes indeterminate useful life intangible assets of R345 million (2020: R376 million) for Palletways.

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

Of the R293 million additions under computer software an amount of R234 million relates to the 'One Imperial Finance' (OIF) SAP project. An amount of R35 million was expensed as it did not qualify for capitalisation under the "Net Operating expenses" line in the statement of profit or loss during the year. With the post balance sheet offer being received from DP World, the project has been suspended post-year-end as it is a significant project and may require the approval of the new shareholder should the offer receive the necessary approvals. There were no impairment indicators at year-end.

The R35 million impairment under Customer lists, contracts and networks in the current year resulted from the loss of a contract in our Logistics Africa segment. Further details on the impairment testing are provided under the goodwill impairment testing that follows.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

4. GOODWILL AND INTANGIBLE ASSETS continued

Goodwill and indeterminate useful life intangible assets

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

CGUs with significant goodwill	Functional currency	Carrying amount 2021 Rm	Carrying amount 2020 Rm	Pre-tax discount rate 2021 %	Pre-tax discount rate 2020 %	Terminal growth rate 2021 %	Terminal growth rate 2020 %
Logistics Africa~							
Resolve Solutions*	ZAR	**50**		**20,7**		**4,8**	
Parcel Ninja (Proprietary) Limited	ZAR	**54**		**26,8**		**4,8**	
Market Access~							
Eco Health Limited	NGN	**622**	757	**22,7**	21,7	**11,1**	7,0
Imres B.V.	USD	**485**	559	**13,1**	13,5	**1,9**	1,2
Surgipharm	KES	**336**	409	**17,2**	18,2	**5,7**	5,7
Geka Pharma	NAM	**27**	27	**16,6**	19,4	**4,4**	4,6
Axis Group – R28m impaired during 2021	USD	**119**	180	**14,2**	14,8	**3,0**	2,3
Far East Mercantile	GHS	**141**	171	**22,1**	21,8	**8,3**	7,3
Logistics International~							
Automotive Group	EUR	**203**	231	**9,1**	9,1	**1,0**	0,8
Retail Group	EUR	**59**	66	**8,2**	7,6	**1,0**	0,8
Chemicals Group	EUR	**357**	406	**9,2**	8,9	**1,0**	0,8
Lubcke Marine	EUR	**39**	45	**7,2**	7,7	**1,0**	0,8
Palletways	GBP	**2 021**	2 201	**9,0**	9,6	**1,0**	0,8
Significant goodwill		**4 513**	5 052				
Other goodwill – Resolve Solutions			50		21,5		4,8
Carrying value of goodwill		**4 513**	5 102				
Indeterminate useful life intangible assets included in customer lists and contracts							
Palletways	GBP	**345**	376	**9,0**	9,6	**1,0**	0,8
Goodwill and indefinite useful life intangible assets#		**4 858**	5 478				

* This CGU was previously included under the Other goodwill line.

\# Excluding the addition for Parcel Ninja of R54 million and the R28 million impairment in Axis Group, the only movement in goodwill and indeterminate useful life intangible assets for the year has been the currency adjustment on translation of the CGUs under Market Access and Logistics International from the functional currencies to the Rand.

~ The value-in-use has been calculated in local currency, using a local weighted average cost of capital (WACC) rate and tax rate, with the prior year comparative being shown in local.

Goodwill impairment testing

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

The carrying amount of goodwill is subject to an annual impairment test. Impairment tests are carried out on all goodwill and indeterminate life intangible assets within each CGU, and were performed and approved as part of the group's budget process at the end of May 2021. Key assumptions took into account the trading environment under the COVID-19 lockdown restrictions.

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

4. GOODWILL AND INTANGIBLE ASSETS continued

Goodwill and indeterminate useful life intangible assets continued

Key assumptions used in value-in-use calculations

Cash flow projections in functional currency

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

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

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

Cash flow projections cover a five-year forecast period, which are then extrapolated into perpetuity using applicable terminal growth rates and represent local currency cash flows of the CGU.

The key assumptions used in arriving at projected cash flows were as follows:
- Logistics Africa – market share assumptions and operating margins.
- Market Access – market share assumptions and operating margins.
- Logistics International – market share assumptions and operating margins.

Growth rates

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

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

Discount rates applied

A key assumption in the impairment assessment is the discount rate. The discount rates were determined with the assistance of an expert independent from the group and present the current market assessment of the risks for each CGU. The rates take into consideration the time value of money and individual risks of the underlying assets that have not been taken into account in the cash flow projections. The discount rate calculations are derived from the CGUs weighted average cost of capital being the cost of debt and the cost of equity. Additional specific risk premiums attributable to the COVID-19 pandemic were not added to the cost of capital; instead, the impact of the pandemic was considered in the cash flow projections. The discount rates disclosed in table above are based on the local currency of the CGUs.

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

The debt-to-equity ratio applied at arriving at the weighted average cost of capital was determined by applying market value weights based on theoretical target gearing levels, giving consideration to industry averages and using data of comparable entities.

There is a risk that a prolonged COVID-19 pandemic could lead to increased discount rates. However, given the improvement in trading conditions after the reporting period, the group believes that the key assumptions used in the goodwill impairment test, as disclosed above, remain appropriate.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

4. GOODWILL AND INTANGIBLE ASSETS continued

Goodwill and indeterminate useful life intangible assets continued

Change in key assumptions and conclusion

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

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

	Axis Group
Carrying value of goodwill (Rm)	**119**
Sensitivities – impairment required	
– 100 basis point increase in pre-tax discount rate (Rm)	**(22)**
– 50 basis point decrease in terminal growth rate (Rm)	**(9)**
– 5% decrease in cash flows (Rm)	**(10)**
Breakeven rates	
Existing pre-tax discount rate (%)	**14,2**
Breakeven pre-tax discount rate (%)	**14,2**
Existing terminal growth rate (%)	**3,0**
Breakeven terminal growth rate (%)	**3,0**

Impairment of goodwill

The impairment charge is included within "Remeasurement of financial liabilities and capital items" in the consolidated statement of profit or loss. It is excluded from the segment results disclosed in the segment profit or loss report. Goodwill impairment by segment is disclosed on the segment profit or loss.

The Axis Group business was impacted by COVID-19 lockdowns across markets, leading to low cash flow projections. This resulted in the impairment of R28 million. In addition, there were immaterial goodwill impairments in Logistics Africa of R11 million and in Market Access of R1 million.

	Land, buildings and leasehold improvements Rm	Equipment and furniture Rm	Motor vehicles Rm	Total Rm
5 PROPERTY, PLANT AND EQUIPMENT				
At 30 June 2021				
Cost	**3 406**	**2 863**	**375**	**6 644**
Accumulated depreciation and impairment	**1 324**	**2 152**	**231**	**3 707**
	2 082	**711**	**144**	**2 937**
Net carrying value at beginning of year	**2 294**	**888**	**144**	**3 326**
Movements during the year*				
Reclassified from assets of discontinued operations	**98**	**21**		**119**
Net acquisition (disposal) of subsidiaries and businesses	**1**	**26**	**(4)**	**23**
Additions	**128**	**168**	**73**	**369**
Proceeds from disposal	**(71)**	**(11)**	**(9)**	**(91)**
Depreciation	**(91)**	**(288)**	**(45)**	**(424)**
Impairment charge	**(73)**	**(12)**		**(85)**
Profit from disposal	**(4)**	**(3)**	**4**	**(3)**
Currency adjustments	**(219)**	**(78)**	**(19)**	**(316)**
Reclassification from right-of-use assets	**19**			**19**
Net carrying value at end of year	**2 082**	**711**	**144**	**2 937**
At 30 June 2020				
Cost	3 741	3 155	413	7 309
Accumulated depreciation and impairment	1 447	2 267	269	3 983
	2 294	888	144	3 326
Net carrying value at beginning of year	1 739	789	119	2 647
Movements during the year*				
Net acquisition of subsidiaries and businesses	456	14	12	482
Additions	111	253	122	486
Proceeds from disposal	(61)	45	(9)	(25)
Depreciation	(89)	(272)	(50)	(411)
Impairment charge	(77)			(77)
Profit from disposal	23	(5)	(2)	16
Currency adjustments	240	117	19	376
Reclassifications	9	(16)	(67)	(74)
Reclassified to assets of discontinued operations and disposal group	(57)	(37)		(94)
Net carrying value at end of year	2 294	888	144	3 326

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

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

- Buildings — 20 years
- Equipment and furniture — 3 to 10 years
- Motor vehicles — 3 to 5 years

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

Impairment resulted from low net realisable value on certain properties due to low property prices.

At 30 June 2021 certain property, plant and equipment were encumbered as security for interest-bearing borrowings amounting to R37 million (2020: R63 million); refer to note 18.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

		2021 Rm	2020 Rm
6	**TRANSPORT FLEET**		
	Cost	**5 885**	8 551
	Accumulated depreciation and impairment	**2 753**	3 365
		3 132	5 186
	Net carrying value at beginning of year	**5 186**	5 309
	Movements during the year*		
	Net (disposal) acquisition of subsidiaries and businesses	**(1 297)**	80
	Additions	**432**	1 409
	Proceeds from disposal	**(290)**	(252)
	Depreciation	**(455)**	(639)
	Profit from disposal	**37**	38
	Currency adjustments	**(497)**	651
	Impairment charge	**(1)**	(12)
	Reclassified from property, plant and equipment		67
	Reclassified from (to) assets of discontinued operations	**17**	(1 465)
	Net carrying value at end of year	**3 132**	5 186

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

Depreciation is calculated on a straight-line basis to write off the cost of each component of the transport asset to its residual value over its estimated useful life of between 3 and 12 years.

As at 30 June 2021 certain transport fleet has been encumbered as security for interest-bearing borrowings amounting to R133 million (2020: R199 million); refer to note 18.

	Land and buildings Rm	Equipment and machinery Rm	Transport fleet Rm	Motor vehicles Rm	Total Rm
7 RIGHT-OF-USE ASSETS					
At 30 June 2021					
Cost	**7 109**	**812**	**1 678**	**196**	**9 795**
Accumulated depreciation and impairment	**4 079**	**450**	**877**	**92**	**5 498**
	3 030	**362**	**801**	**104**	**4 297**
Net carrying value at beginning of year	**3 827**	**466**	**1 001**	**128**	**5 422**
Movements during the year					
Net acquisition of subsidiaries and businesses	**19**	**3**			**22**
New leases entered into	**842**	**155**	**270**	**46**	**1 313**
Derecognition on lease termination	**(182)**				**(182)**
Depreciation	**(1 019)**	**(221)**	**(431)**	**(59)**	**(1 730)**
Impairment charge	**(41)**				**(41)**
Currency adjustments	**(397)**	**(41)**	**(39)**	**(11)**	**(488)**
Reclassification to property, plant and equipment	**(19)**				**(19)**
Net carrying value at end of year	**3 030**	**362**	**801**	**104**	**4 297**
At 30 June 2020					
Cost	8 366	951	1 899	208	11 424
Accumulated depreciation and impairment	4 539	485	898	80	6 002
	3 827	466	1 001	128	5 422
Net carrying value at beginning of year	2 719	558	1 436	67	4 780
Movements during the year*					
Net acquisition (disposal) of subsidiaries and businesses	97		(12)		85
Additions	1 874	54	485	123	2 536
Depreciation	(1 165)	(218)	(409)	(60)	(1 852)
Impairment charge	(140)				(140)
Currency adjustments	464	73	248	14	799
Remeasurement in terms of IFRS 5	(1)				(1)
Reclassified to assets of discontinued operations	(21)	(1)	(747)	(16)	(785)
Net carrying value at end of year	3 827	466	1 001	128	5 422

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

All right-of-use assets are encumbered as security for respective lease obligations. The maturity profile of the lease obligations and details about encumbered assets is presented in note 19. The weighted average remaining lease term of all leases is 5,9 years (2020: 4,9 years).

Most lease contracts are concluded for fixed terms. In some instances, where lease agreements include options to renew, the lease terms will include the option period where the exercise of the option is probable.

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

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

The group has determined that lease agreements in respect of assets above R100 000 are raised as right-of-use assets, and that amounts below R100 000 are accounted for as operating leases in respect of low-value assets.

The group was, in some instances, given concessions as a result of COVID-19 which included rent-free periods and extensions to the lease term. As the group did not adopt the practical relief regarding COVID-19-related rent concessions, such lease amendments were accounted for as lease modifications. The impact of these amendments was not significant and these covered certain property leases as well as leases in respect of transport fleet. No other significant changes to leases were experienced by the group as a result of the pandemic.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

		2021 Rm	2020 Rm
8	**DEFERRED TAX**		
	Movement of deferred tax*		
	Net carrying value at beginning of year	**(609)**	(418)
	Charged to profit or loss		
	– Current year	**(309)**	(429)
	– Prior year net under provisions	**5**	1
	– Deferred tax impairments net of impairment reversals	**96**	
	Recognised in other comprehensive income and recognised directly in equity	**(23)**	(45)
	Net acquisitions/disposals of subsidiaries and businesses	**51**	227
	Currency adjustments	**14**	43
	Reclassified to assets of discontinued operations		12
	Net (asset) at end of year	**(775)**	(609)

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

Analysis of deferred tax (asset) liability	2021 Rm	2020 Rm
– Intangible assets	**303**	256
– Property, plant and equipment	**164**	211
– Transport fleet	**499**	494
– Lease obligations	**(170)**	(201)
– Provisions and other payables	**(345)**	(194)
– Retirement benefit obligations	**(151)**	(181)
– Other non-current financial liabilities	**(6)**	(71)
– Assessed tax losses	**(1 035)**	(756)
– Share-based equity and other receivables	**(34)**	(167)
	(775)	(609)
Net deferred tax comprises:		
Deferred tax assets	**(1 384)**	(1 510)
Deferred tax liabilities	**609**	901
	(775)	(609)
Unrecognised tax losses		
Unused tax losses available to offset against future profits	**(4 895)**	(3 116)
Unused tax losses applied to raise deferred tax assets	**3 793**	2 465
Remaining tax losses not recognised	**(1 102)**	(651)

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

Assessments conducted in determining whether to raise deferred tax assets or not require some degree of judgement where, as part of the budget and strategic planning sessions, the approved projections of each legal entity are used to estimate the future taxable income in view of the relevant tax legislation, including adjustments for disallowable expenses, non-taxable income and other temporary differences. These projections take into account current business performance adjusted for any contract gains expected by each entity and discontinued business. The group operates in diverse jurisdictions and growth rates used in these projections are determined in view of the respective GDP and CPI of each country as well as the micro- and macroeconomic factors applicable to these. More focus is directed towards entities which have recorded a loss in the last two years for assurance that such deferred tax assets should indeed be raised. In countries where the assessed losses expire after a stipulated period of time, these losses are derecognised when utilisation of such losses in future is considered unlikely. Assessed losses amounting to R75 million relate to entities located in Mozambique, where tax losses are only carried forward for five consecutive years, after which they expire. A deferred tax asset amount of R18 million has accordingly been impaired in the current year. The rest of the assessed losses are carried forward indefinitely and assessed for impairment annually by the group.

Where management has assumed that the recoverability of the remaining unrecognised losses is still in doubt because a trend of profitable growth in the respective entities has not yet been established, no deferred tax asset has been raised.

COVID-19 has negatively affected many businesses in the group. Management has applied judgement in determining its effect on the current and future profitability of the entities. Deferred tax assets have only been raised where the prospects of profitability are high. The impact of COVID-19 has not reduced the results or future anticipated results of the group to the extent that it is no longer probable that sufficient taxable profits will be available to allow the deferred tax assets raised to be recovered. No significant impairments were therefore recorded as a direct result of COVID-19.

		2021 Rm	2020 Rm
9	**INVESTMENTS AND OTHER FINANCIAL ASSETS**		
	Listed investments (level 1 in the fair value hierarchy)		2
	Unlisted investments (level 3 in the fair value hierarchy)	**155**	
	Loans and receivables – at amortised cost	**182**	269
		337	271
	Effective interest rates (%)	**1,4% – 15,0%**	1,5% – 15,0%

For further disclosures refer to note 35.

		2021 Rm	2020 Rm
10	**INVENTORIES**		
	Pharmaceutical goods	**1 431**	1 791
	Fast-moving consumer goods	**802**	627
	Spares, accessories and finished goods	**210**	227
	Fuel and oil	**30**	31
		2 473	2 676
	Net amount of inventory write-down expensed in profit or loss	**4**	12

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

Inventories amounting to R285 million (2020: R286 million) have been encumbered as security for interest-bearing borrowings; refer to note 18.

		2021 Rm	2020 Rm
11	**TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS**		
11.1	**Trade and other receivables**		
	Trade and lease receivables	**6 518**	5 933
	– Gross receivables	**6 837**	6 367
	– Expected credit loss allowance	**(319)**	(434)
	Other receivables*	**1 327**	1 426
	Derivative financial instruments (level 2 in the fair value hierarchy)	**8**	10
		7 853	7 369

* Other receivables consist of various types of prepayments, VAT refunds and deposits that are not part of trade receivables and not deemed to be a financial asset.

At 30 June 2021 certain trade receivables have been encumbered as security for interest-bearing borrowings amounting to R223 million (2020: R226 million); refer to note 18. Refer to note 35 for further details on trade receivables and derivative financial instruments.

11.2 Contract assets

The group has recognised the following assets related to contracts with customers:

	2021 Rm	2020 Rm
Contract assets	**226**	565

Payment for services is not due from the customer until the services are complete and therefore a contract asset is recognised over the period during which the services are performed to represent the group's right to consideration for services performed to date.

No loss provision has been raised on the contract assets until performance conditions have been met in full and invoicing has taken place. The expected credit risk on contract assets is insignificant, hence no credit risk provision has been made.

		2021 Rm	2020 Rm
12	**CASH RESOURCES**		
	Deposits and funds on call	**537**	887
	Cash on hand and at bank	**698**	2 487
		1 235	3 374
	Effective interest rates (%)	**0,0% – 3,00%**	0,0% – 3,25%

The above includes R124 million restricted cash collected on behalf of clients, for which a liability was raised.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

13 DISCONTINUED OPERATIONS AND DISPOSAL GROUPS

13.1 Discontinued operations

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

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

13.1.1 The results of the discontinued operations were as follows:

	Total 2021* Rm	Total 2020 Rm	CPG 2020 Rm	Shipping 2020 Rm
Revenue	**272**	5 425	693	4 732
Net operating expenses	**(215)**	(5 063)	(1 072)	(3 991)
Profit (loss) from operations before depreciation and recoupments	**57**	362	(379)	741
Depreciation, amortisation, impairments and recoupments	**(36)**	(434)	(24)	(410)
Operating profit (loss) before items listed below	**21**	(72)	(403)	331
Remeasurement of financial liabilities and capital items	**1**	89	82	7
Profit (loss) before net finance costs	**22**	17	(321)	338
Net finance cost	**(4)**	(174)	(119)	(55)
Profit (loss) before tax from operations	**18**	(157)	(440)	283
Income tax attributed to operations	**(14)**	54	135	(81)
Net profit (loss) for the year from operations	**4**	(103)	(305)	202
Net gain (loss) on discontinuance	**589**	(241)		(241)
Gross gain (loss) on discontinuance	**596**	(240)		(240)
Income tax expense attributed to the gain or loss on discontinuance	**(7)**	(1)		(1)
Net profit (loss) for the year	**593**	(344)	(305)	(39)

* There were no CPG operations during the year under discontinued operations.

Refer to the 2020 consolidated annual financial statements for detail on the assets and liabilities included under discontinued operations for the prior year.

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

	2021 Rm	2020 Rm
Operating activities	**211**	335
Investing activities*	**3 332**	(365)
Financing activities*	**(3 737)**	179
Profit before net finance cost for the purpose of the cash flow is calculated as follows:		
Profit before net finance cost	**22**	17
Gross gain (loss) on discontinuation	**596**	(240)
	618	(223)

* Investing activities include the proceeds on disposal of Shipping of R2,337 million net of disposal costs as well as the settlement of R1 027 million for group loans, reduced by capital expenditure incurred in July 2020. Financing activities then include lease repayments with the balance relating to repayment of group loans.

13.2 Disposal group

Pharmed Group (previously included in the Market Access business)

The assets and associated liabilities of Pharmed, a 62,5% held subsidiary of ILSA Holdings, were classified as held for sale at 30 June 2020. The sale was finalised and the entity disposed during the current year once all the necessary regulatory approvals were obtained.

Refer to note 30.3 for a list of major classes of assets and liabilities sold during the year.

	2021 Rm	2020 Rm
14 SHARE CAPITAL AND SHARE PREMIUM		
Authorised share capital		
394 999 000 (2020: 394 999 000) ordinary shares of 4 cents each	**15**	15
50 000 000 (2020: 50 000 000) deferred ordinary shares of 4 cents each	**2**	2
15 000 000 (2020: 15 000 000) preferred ordinary shares of 4 cents each	**1**	1
1 000 (2020: 1 000) redeemable preference shares of 4 cents each		
40 000 000 (2020: 40 000 000) non-redeemable, non-participating preference shares of 4 cents each	**2**	2
	20	20
Issued and fully paid share capital~		
202 905 857 (2020: 202 074 388) ordinary shares of 4 cents each	**8**	8
5 204 953 (2020: 6 036 422) deferred ordinary shares of 4 cents each	**1**	1
Share capital	**9**	9
Share premium	**1 021**	1 021
Share capital and premium	**1 030**	1 030

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

Directors' authority to issue authorised share capital
The directors have been given general authority until the next AGM to issue not more than 5% of the issued ordinary share capital at 30 June 2020 and not more than 5 million of the non-redeemable, non-participating preference shares.

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

Deferred ordinary shares
The deferred ordinary shares were issued to Ukhamba, the group's B-BBEE partner. The shares convert into ordinary shares annually at a fixed rate of 831 469 shares. At year-end 17 550 436 (2020: 16 718 967) deferred ordinary shares have been converted into the same number of ordinary shares. These shares carry one vote per share and are not entitled to dividends.

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

	Number of shares	Rm
15 SHARES REPURCHASED		
Shares repurchased consist of 10 949 363 ordinary shares held by an entity controlled by the company. The movement in the shares repurchased was as follows:		
At 30 June 2019	4 914 335	(586)
Repurchase of 4 037 273 ordinary shares at R55,84 each	4 037 273	(225)
358 817 ordinary shares delivered to settle obligations in respect of share schemes	(358 817)	22
At 30 June 2020	**8 592 791**	**(789)**
Repurchase of 2 800 000 ordinary shares at R35,96 each	**2 800 000**	**(101)**
443 428 ordinary shares delivered to settle obligations in respect of share schemes	**(443 428)**	**25**
At 30 June 2021	**10 949 363**	**(865)**

Shares were repurchased at market price on day of transaction.

		2021 Rm	2020 Rm
16	**OTHER RESERVES**		
	Foreign currency translation reserve (refer note 16.1)	**1 619**	2 752
	Share-based payment reserve (refer note 16.2)	**24**	(73)
	Hedge accounting reserve	**(9)**	(69)
	Statutory reserve	**52**	54
	Premium paid on purchase of non-controlling interests (refer note 16.3)	**(1 320)**	(1 267)
		366	1 397
	For movements in other reserves, see consolidated statement of changes in equity on page 22.		
16.1	**Foreign currency translation reserve**		
	Balance at beginning of year	**2 752**	1 879
	Goodwill and intangible assets	**(832)**	1 429
	Investments, loans, other financial assets, associates and joint ventures	**(54)**	93
	Property, plant and equipment	**(316)**	376
	Transport fleet	**(497)**	651
	Right-of-use assets	**(488)**	799
	Deferred tax	**(14)**	(43)
	Inventories	**(416)**	315
	Current tax	**39**	(43)
	Trade, other receivables and contract assets	**(894)**	1 236
	Cash resources	**(25)**	279
	Non-controlling interests	**134**	(131)
	Retirement benefit obligations	**146**	(290)
	Lease obligations	**525**	(792)
	Interest-bearing borrowings	**425**	(1 613)
	Other financial liabilities	**215**	(307)
	Provisions for liabilities and charges	**69**	(44)
	Trade and other payables	**850**	(1 042)
	Balance at end of year	**1 619**	2 752

16 OTHER RESERVES continued

16.2 Share-based payment reserve

Share schemes granted before the unbundling of Motus

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

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

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

The following details apply to the Group's share schemes.

SARs scheme	2021 Number of rights	2021 Weighted average exercise price (Rand)	2020 Number of rights	2020 Weighted average exercise price (Rand)
Rights granted at beginning of year	**15 748 866**	**88,29**	13 565 206	106,05
Rights allocated during the year	**7 175 173**	**37,81**	5 050 427	52,02
Rights exercised during the year	**(1 291 775)**	**127,77**	(601)	52,02
Rights forfeited during the year	**(5 016 794)**	**98,30**	(2 866 166)	108,43
Unexercised rights at end of year	**16 615 470**	**60,40**	15 748 866	88,29

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

SARs scheme – details of rights by year of grant	Number of rights outstanding	Average exercise price (Rand)	Expiry date
Grant date			
October 2015	**860 154**	**174,65**	**June 2022**
May 2016	**185 807**	**127,77**	**June 2021**
June 2017	**473 635**	**152,65**	**June 2022**
November 2018	**4 899 275**	**65,09**	**June 2023**
September 2019	**3 721 845**	**52,02**	**June 2024**
September 2020	**6 474 754**	**37,81**	**June 2025**
Total unexercised rights at end of year	**16 615 470**	**60,40**	

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

16 OTHER RESERVES continued

16.2 Share-based payment reserve continued

DBPs scheme – details of rights taken up and not vested	Number of rights taken up	Vesting date
Rights taken up*		
November 2018	**250 035**	**September 2021**
	250 035	

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

Conditional share plans (CSPs) scheme	Number of rights	Average grant price (Rand)	Vesting date
Grant date			
November 2018	**488 554**	**65,09**	**September 2021**
November 2018	**559 994**	**65,09**	**September 2022**
November 2018	**810 416**	**65,09**	**September 2023**
September 2019	**1 902 844**	**52,02**	**September 2022**
September 2019	**662 794**	**52,02**	**September 2024**
March 2020	**217 297**	**46,02**	**September 2023**
September 2020	**2 980 216**	**37,81**	**September 2023**

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

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

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

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

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

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

Based on prior years' vesting experience, hedges have been taken out with banks and Imperial shares have been repurchased to cover the anticipated number of SARs, DBPs and CSPs that will convert. During the 2021 financial year the group delivered 443 428 Imperial shares and 68 943 Motus shares to settle share scheme rights, and now holds 10 949 363 Imperial shares and nil Motus shares as hedges. Refer to note 15 for further disclosure on the Imperial shares held as hedges.

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

16 OTHER RESERVES continued

16.2 Share-based payment reserve continued

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

	2021	2020*	2020*	2019	2017	2016
SARs scheme						
Volatility (%)	**51,56**		39,73	37,18	35,60	34,00
Weighted average share price (Rand)	**37,81**		52,02	65,09	152,65	127,77
Weighted average exercise price (Rand)	**37,81**		52,02	65,09	152,65	127,77
Weighted average fair value of rights (Rand)	**11,51**		12,94	18,85	44,25	39,08
Expected life (years)	**4,06**		4,09	3,85	4,3	4,39
Average risk-free rate (%)	**4,42**		6,78	7,75	7,59	8,75
Expected dividend yield (%)	**5,60**		6,19	4,00	4,00	3,75
DBPs and CSPs scheme						
Volatility (%)	**51,56**	39,73	39,73	37,18	35,60	34,00
Weighted average share price (Rand)	**37,81**	46,02	52,02	65,09	152,65	127,77
Weighted average fair value of rights (Rand)	**31,96**	36,96	41,52	56,39	134,09	112,76
Expected life (years)	**3,00**	3,54	3,66	3,61	3,24	3,33
Average risk-free rate (%)	**4,42**	6,78	6,78	7,75	7,59	8,75
Expected dividend yield (%)	**5,60**	6,19	6,19	4,00	4,00	3,75

* There were two CSP offerings granted in 2020.

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

Share-based payment expense to profit or loss from continuing operations amounted to a benefit of R6 million (2020: R38 million expense). A tax benefit of R43 million (2020: R2 million tax benefit) was recognised directly in equity.

Directors' interests in issued share capital

The aggregate allocations to the directors in SARs, DBPs and CSPs of the company are outlined in note 39.

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

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

	Premium paid on purchase of NCI Rm	Change in put reserve on final put exercise Rm	Change in NCI Rm	Consideration amount Rm
Acquisition of a further 1,219% interest in Eco Health Limited	**(43)**		**(3)**	**(46)**
Acquisition of a further 1,002% interest in Palletways Group Limited	**2**		**(43)**	**(41)**
Acquisition of the remaining 30% interest in CB Enterprises	**(11)**		**(14)**	**(25)**
Acquisition of the remaining 24,5% interest in Ladychin Investments (Proprietary) Ltd	**(3)**		**(2)**	**(5)**
Other	**(5)**			**(5)**
2021	**(60)**		**(62)**	**(122)**
Acquisition of a further 0,920% interest in Eco Health Limited	(31)		(3)	(34)
Acquisition of a further 1,182% interest in Palletways Group Limited	1		(44)	(43)
Acquisition of the remaining 10% interest in Imres B.V.	(169)	38	(57)	(188)
Acquisition of the remaining 30% interest in Sasfin Logistics	(10)		(2)	(12)
2020	(209)	38	(106)	(277)

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

		2021 Rm	2020 Rm
17	**RETIREMENT BENEFIT OBLIGATIONS**		
	Defined contribution plans		
	Total cost charged to profit or loss for continuing operations	**(591)**	(552)
	The group provides retirement benefits through independent funds under the control of trustees and all contributions to those funds are charged to profit or loss. The large majority of South African employees, other than those employees required by legislation to be members of various industry funds, are members of the group's pension and provident fund which are governed by the Pension Funds Act, 1956.		
	Defined benefit plans		
	Imperial Logistics International GmbH, a subsidiary located in Germany, operates a number of defined benefit plans for its employees in Europe with a majority of the plans being unfunded. Under the plans the employees are entitled to retirement benefits which are dependent on seniority, length of service and level of pay. The defined benefit plans are governed by the German Occupational Pensions Act.		
	The benefit obligations in Europe are provided for based on actuarial valuations prepared using the projected unit credit method, with the following assumptions:		
	– Discount rate (%)*	**1,11**	0,93
	– Projected pension payment increase (%)	**1,75**	1,75
	– Projected salary and other contribution increase (%)	**2,00**	2,00
	– Fluctuation rate (depends on the age of male or female) (%)	**0,00 – 8,00**	0,00 – 8,00
	* The increase in the discount rate is based on the expectation that interest rates will increase as a result of the post-COVID-19 economic uptick. The change in the discount rate resulted in a decrease in the obligation of R48 million.		
	The latest actuarial valuation was performed in June 2021. In the opinion of the actuaries Willis Towers Watson GmbH and Pecoma Actuarial and Risk S.A., the provision for the defined benefit obligations is adequate. The next valuation will be conducted in June 2022. The change in actuarial assumptions since the previous year has occurred due to changes in the economic environment where the plans operate.		
	The amounts, included in staff costs, recognised in profit or loss for continuing operations in respect of the defined benefit plans are as follows:		
	Current service cost	**15**	32
	Interest cost	**11**	11
		26	43

17 RETIREMENT BENEFIT OBLIGATIONS continued

The amount included on the consolidated statement of financial position arising from the group's obligations in terms of the defined benefit plans is as follows:

Defined retirement benefit obligations*	2021 Rm	2020 Rm
Carrying value at beginning of year	**1 109**	1 343
Remeasurement in other comprehensive income	**(48)**	100
Payments to retired employees	**(33)**	(57)
Currency adjustments	**(146)**	290
Amounts charged to profit or loss	**26**	57
Disposal of businesses	**(9)**	
Reclassified to liabilities of discontinued operations		(624)
Carrying value at end of year	**899**	1 109

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

The expected payment to retired employees for the next financial year is R30 million and the average duration of the retirement plans varies from 9 to 31 years with a median of 18 years.

A quantitative sensitivity analysis for significant assumptions as at 30 June 2021 is shown below:

Assumption	Discount rate		Future pension cost	
Sensitivity level	**0,5% increase**	**0,5% decrease**	**0,5% increase**	**0,5% decrease**
(Decrease) increase in defined benefit obligation (Rm)	**(93)**	**107**	**72**	**(65)**

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

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

18 INTEREST-BEARING BORROWINGS

	2021 Rm	2020 Rm
Long term		
– Loans secured by mortgage bonds over fixed property	**30**	54
– Instalment sale creditors secured by assets	**76**	111
– Syndicated bank term loans	**1 736**	7 791
– Revolving credit facility term loans	**100**	612
– Notice loans	**25**	29
– Term and bilateral loans	**1 000**	1 000
– Unsecured loans	**174**	193
Longer term	**3 141**	9 790
Shorter term – Bank overdrafts and call borrowings	**2 132**	1 975
Total interest-bearing borrowings at amortised cost	**5 273**	11 765
***Less:* Current portion of interest-bearing borrowings**	**2 412**	2 748
	2 861	9 017

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

18 INTEREST-BEARING BORROWINGS continued

	Current year interest rates (%)	2021 Rm	2020 Rm
Interest rate analysis			
Fixed			
– Mortgage bonds and instalment sale creditors	1,2 – 2,0	**30**	54
– Syndicated bank term loans	1,3 – 1,6	**782**	2 890
– Term loans and bilateral loans	1,6 – 1,7	**71**	208
Variable linked			
– Mortgage bonds and instalment sale creditors – non-Europe	0,1 – 8,0	**76**	111
– Syndicated bank term loans – international	1,2 – 1,3	**869**	4 773
– Term loans – outside South Africa	5,0 – 12,0	**85**	128
– Revolving credit facility term loans	4,8 – 5,8	**29**	404
– Notice loans	4,0 – 6,3	**25**	29
– Unsecured loans	0,1 – 10,3	**174**	193
– Term loans	4,9 – 5,8	**1 000**	1 000
– Bank overdrafts – outside South Africa	0,2 – 20,2	**428**	601
– Bank overdrafts and call borrowings – South Africa	1,1 – 7,0	**1 704**	1 374
		5 273	11 765

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

Details of encumbered assets	Carrying value of debt secured Rm	Carrying value of assets encumbered Rm	Property, plant and equipment Rm	Transport fleet Rm	Inventories Rm	Trade receivables Rm
Debt instruments						
Mortgage bonds, instalment sale creditors and bank overdrafts	**321**	**678**	**37**	**133**	**285**	**223**
2021	**321**	**678**	**37**	**133**	**285**	**223**
2020	501	774	63	199	286	226

18 INTEREST-BEARING BORROWINGS continued

Maturity analysis of interest-bearing borrowings by geography	2025 and onwards Rm	2024 Rm	2023 Rm	6 to 12 months Rm	Less than 6 months Rm	2021 Rm	2020 Rm
South Africa		1 000		1 485	318	2 803	3 147
Europe and United Kingdom			1 652	79	220	1 951	7 710
Nigeria	25	16	19	68	40	168	439
Kenya	29	20	20	10	49	128	222
Botswana	2	47	29	5	1	84	53
Other			2	24	113	139	194
	56	1 083	1 722	1 671	741	5 273	11 765
Maturity analysis of interest-bearing borrowings by denominated currency							
SA Rand		1 000		1 485	318	2 803	2 856
Euro			420	79	95	594	4 276
British Pound			1 232		25	1 257	1 713
US Dollar					100	100	1 924
Nigerian Naira	25	16	19	68	40	168	439
Kenyan Shilling	29	20	20	10	49	128	222
Botswana Pula	2	47	29	5	1	84	135
Other			2	24	113	139	200
	56	1 083	1 722	1 671	741	5 273	11 765
Borrowing facilities							
Total direct borrowing facilities established						19 580	22 221
Less: Indebtedness for borrowed money at 30 June 2021						5 167	11 601
Unutilised borrowing capacity						14 413	10 620

In terms of the MoI, the borrowing powers of the group are unlimited.

For interest-rate swap instruments and further disclosures refer to note 20 and note 35.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

		2021 Rm	2020 Rm
19	**LEASE OBLIGATIONS**		
	Maturity analysis		
	Year 1	**1 630**	1 872
	Year 2	**1 240**	1 486
	Year 3	**920**	1 172
	Year 4	**585**	823
	Year 5	**392**	488
	Over 5 years	**673**	1 045
	Total minimum lease payments	**5 440**	6 886
	Less: Unearned interest	**(574)**	(806)
		4 866	6 080
	Total lease obligations comprise:		
	Long-term	**3 429**	4 468
	Current portion of lease obligations	**1 437**	1 612
		4 866	6 080
	Analysis of lease obligation by denominated currency		
	SA Rand	**1 228**	1 783
	Euro	**3 041**	3 408
	British Pound	**148**	296
	Namibian Dollar	**137**	109
	US Dollar	**131**	195
	Nigerian Naira	**54**	75
	Kenyan Shilling	**14**	24
	Other (mainly Ghana Cedi, Mozambican Metical, United Arab Emirates Dirham and Hungarian Forint)	**113**	190
		4 866	6 080
	Weighted average remaining lease term for all leases	**5,9 years**	4,9 years
	Weighted average incremental borrowing rates:		
	Logistics Africa	**8,7%**	8,4%
	Market Access	**12,2%**	11,8%
	Logistics International	**3,5%**	3,3%

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

Lease modifications arising from the COVID-19 pandemic, such as rent-free periods and the extension of lease terms, were treated as lease modifications. The impact of the modifications was insignificant. No significant amendments to leases were experienced by the group as a result of the pandemic.

	2021 Rm	2020 Rm
20 OTHER FINANCIAL LIABILITIES		
Interest-rate swap instruments (level 2 in the fair value hierarchy)	**19**	108
Contingent consideration liabilities – at fair value	**150**	336
Put option liabilities – at present value	**515**	646
Other long-term payables – at amortised cost*	**228**	325
	912	1 415

* Other long-term payables consist primarily of non-controlling interests' shareholder loans.

The put option liabilities in respect of the non-controlling interests in subsidiaries arise from arrangements whereby the non-controlling shareholders of Eco Health Limited have the right to put their remaining shareholding in Eco Health Limited to Imperial Capital Limited and whereby the non-controlling shareholders of Parcel Ninja (Proprietary) Limited have the right to put their remaining shareholding to Imperial Logistics South Africa Holdings (Proprietary) Limited (ILSA).

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

	Dismantling and environmental risks Rm	Onerous contracts and potential claims Rm	Other Rm	2021 Rm	2020 Rm
21 PROVISIONS FOR LIABILITIES AND OTHER CHARGES					
Carrying value at beginning of year	**287**	**407**	**209**	**903**	990
Movements during the year*					
Amounts added	**91**	**306**	**130**	**527**	154
Unused amounts reversed	**(5)**	**(40)**		**(45)**	(48)
Charged to profit or loss	**86**	**266**	**130**	**482**	106
Amounts utilised	**(17)**	**(367)**	**(231)**	**(615)**	(214)
Net acquisition of subsidiaries and businesses	**(42)**		**44**	**2**	12
Currency adjustments	**(62)**		**(7)**	**(69)**	44
Fair value on discontinued operations					14
Reclassifications					(3)
Reclassified to liabilities of discontinued operations and disposal groups					(46)
Carrying value at end of year	**252**	**306**	**145**	**703**	903
Maturity profile					
Maturing in less than one year	**187**	**306**	**116**	**609**	777
Maturing in one to five years	**21**		**11**	**32**	9
Maturing in more than five years	**44**		**18**	**62**	117
	252	**306**	**145**	**703**	903

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

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

The amount raised under onerous contracts and potential claims relates to a warranty provision in Logistics International on the provision for risk from the sellers' guarantees and indemnities arising from the European shipping disposal and is included in the loss on disposal.

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

		2021 Rm	2020 Rm
22	**TRADE AND OTHER PAYABLES**		
	Trade payables and other accruals	**8 986**	9 123
	Contract liabilities	**65**	38
	Derivative financial instruments (level 2 in the fair value hierarchy)	**11**	2
		9 062	9 163
	For further disclosures refer to note 35.		
23	**REVENUE***		
23.1	**An analysis of the group's continuing revenue is as follows:**		
	Revenue earned at a point in time (sale of goods)	**15 763**	12 647
	Revenue earned over time (rendering of services)	**36 445**	33 733
		52 208	46 380
	Revenue includes:		
23.2	**Revenue received from the Group's associates and joint ventures**		
	Rendering of services	**13**	48
		13	48
23.3	**Revenue based on service capability**		
	Freight management^	**24 132**	21 892
	Road and rail transportation management	**14 326**	13 022
	River and short sea transportation management	**961**	648
	Express freight consolidation	**7 407**	6 213
	Lead logistics provider	**1 320**	1 921
	Air and ocean transportation management	**118**	88
	Market access^	**15 274**	12 122
	Wholesale	**1 310**	1 116
	Sourcing and procurement	**1 594**	1 350
	Non-exclusive distributorships	**2 147**	1 851
	Integrated distributorships	**87**	
	Exclusive distributorships	**9 989**	7 344
	Businesses held for sale under Market Access^	**147**	461
	Contract Logistics^	**13 186**	12 378
	Warehousing management	**3 556**	3 106
	Synchronisation management	**6 018**	5 542
	Professional and managed services	**340**	367
	Integrated contract logistics	**481**	452
	Distribution management	**2 435**	2 322
	Businesses held for sale under Contract Logistics^	**356**	589
	Head office and eliminations^	**(384)**	(12)
		52 208	46 380
	^ Refer to segmental information and note 3.2 for further details relating to segment information.		
23.4	**Revenue based on industry verticals**		
	Automotive	**6 952**	5 523
	Chemicals and energy	**5 094**	5 246
	Consumer	**14 017**	11 665
	Healthcare	**9 176**	7 816
	Industrial	**6 949**	6 604
	Logistics	**9 083**	7 741
	Other markets	**937**	1 785
		52 208	46 380

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

23 REVENUE* continued

23.5 Timing of revenue recognition

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

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

		2021 Rm	2020 Rm
23.6	**Revenue recognised in relation to contract liabilities**		
	The following reflects how much revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in the prior years.		
	Revenue recognised that was included in contract liabilities at the beginning of the year	**38**	44
	Contract liabilities at 30 June 2021 amounted to R65 million (2020: R38 million).		
24	**NET OPERATING EXPENSES**		
	Purchase of goods	**(14 226)**	(12 873)
	Changes in inventories	**217**	(5)
	Cost of outside services	**(17 657)**	(16 016)
	Staff costs	**(11 453)**	(10 481)
	Staff share-based costs^	**6**	(36)
	Other operating income	**602**	723
	Other operating costs~	**(4 711)**	(3 594)
		(47 222)	(42 282)

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

~ Other operating expenses include repairs and maintenance, travelling costs, bad debts written off, provision for doubtful debts and insurance premiums unrelated to assets of the company.

	2021 Rm	2020 Rm
The above includes:		
Auditors' remuneration		
– Audit fees	**(60)**	(54)
– Other services	**(12)**	(11)
	(72)	(65)
Operating lease expense		
Short-term leases	**(227)**	(248)
Low-value assets	**(127)**	(119)
Variable lease payments not included in the measurement of the lease liability	**(18)**	(32)
	(372)	(399)

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

		2021 Rm	2020 Rm
25	**DEPRECIATION, AMORTISATION, IMPAIRMENTS AND RECOUPMENTS***		
25.1	**Depreciation, amortisation, impairments and recoupments**		
	Depreciation and amortisation on owned assets		
	Intangible assets	**(66)**	(87)
	Total amortisation and impairment of intangible assets	**(470)**	(480)
	Less: Amortisation and impairment of intangible assets arising on business combinations	**404**	393
	Impairment of intangible assets arising on business combinations	**35**	19
	Amortisation of intangible assets arising on business combinations	**369**	374
	Property, plant and equipment	**(424)**	(411)
	Transport fleet	**(455)**	(487)
		(945)	(985)
	Depreciation and amortisation on right-of-use assets		
	Property, plant and equipment	**(1 299)**	(1 158)
	Transport fleet	**(431)**	(409)
		(1 730)	(1 567)
	Impairments on owned assets		
	Equipment and furniture	**(12)**	
	Transport fleet	**(1)**	(12)
	Intangible assets		(102)
		(13)	(114)
	Profit (loss) on disposal of owned assets		
	Intangible assets		(4)
	Plant and equipment	**1**	(7)
	Transport fleet	**37**	38
		38	27
		(2 650)	(2 639)
25.2	**Impairment to properties net of recoupments**		
	Recoupments from sale of owned properties	**(4)**	23
	Impairment of owned properties^	**(73)**	(77)
	Impairment of right-of-use properties	**(41)**	(140)
		(118)	(194)

^ Impairment resulted from low net realisable value on certain properties due to low property prices.

		2021 Rm	2020 Rm
26	**REMEASUREMENT OF FINANCIAL LIABILITIES AND CAPITAL ITEMS***		
	Remeasurement of financial instruments not held for trading	**69**	300
	Remeasurement of put option liabilities	**39**	277
	Gain on remeasurement of contingent consideration liabilities	**30**	23
	Capital items	**(546)**	(248)
	Impairment of goodwill	**(40)**	(223)
	Loss on disposal of subsidiaries and businesses	**(520)**	(23)
	Impairment reversal (Impairment) of equity investments	**1**	(26)
	Profit on disposal of associates and joint ventures		40
	Impairment of associates and loans advanced to associates and joint ventures	**(11)**	(2)
	Business acquisition costs	**(41)**	(21)
	Net gain on termination of leases	**65**	7
		(477)	52
27	**NET FINANCE COST***		
	Interest paid on financial liabilities not fair valued through profit or loss	**(461)**	(560)
	Interest on lease obligations	**(285)**	(227)
	Fair value loss on interest-rate swap instruments	**(39)**	(18)
	Finance cost including fair value loss on interest-rate swap instruments	**(785)**	(805)
	Finance income on financial assets not fair valued through profit or loss	**43**	43
		(742)	(762)

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

28 INCOME TAX EXPENSE*

	2021 Rm	2020 Rm
Current tax		
– Current year charge	**(520)**	(449)
– Prior year over (under) provisions	**64**	(23)
	(456)	(472)
Deferred tax		
– Current year	**309**	346
– Prior year under provisions	**(5)**	(1)
– Derecognition of deferred tax asset	**(96)**	
	208	345
Capital gains tax		
– Current year	**4**	(7)
	4	(7)
Withholding taxes	**(30)**	(25)
	(274)	(159)

Reconciliation of tax rates:	2021 %	2020 %
Profit before tax, excluding share of result of associates and joint ventures – effective tax rate	**34,1**	62,2
Income tax effect of:		
– Loss on sale of businesses, associates and joint ventures	**(18,1)**	1,3
– Profit on sale of non-current assets subject to capital gains tax	**0,4**	2,7
– Impairment of goodwill and other intangible assets	**(1,4)**	(25,8)
– Impairment of investment in associates and joint ventures	**(0,4)**	(0,2)
– Business acquisition costs	**(1,4)**	(2,3)
– Remeasurement of put option liabilities and contingent consideration liabilities	**2,4**	30,4
– Disallowable expenses net of exempt income	**3,3**	1,3
– Non-taxable foreign exchange gain	**12,7**	17,5
– Foreign tax rate and tax base differential	**4,3**	8,3
– Tax assets recognised	**3,4**	0,3
– Tax assets not recognised and deferred tax impairments	**(15,4)**	(45,8)
– Withholding taxes	**(3,7)**	(9,8)
– Capital gains tax	**0,5**	(2,7)
– Prior year net over (under) provisions	**7,3**	(9,4)
	28,0	28,0

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

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

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

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

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

	2021 Rm	2020 Rm
29 EARNINGS PER SHARE		
Earnings		
Net profit attributable to owners of Imperial – basic earnings and diluted earnings	951	(303)
Continuing operations	358	42
Discontinued operations	593	(345)
Weighted average number of ordinary shares in issue (million)	185,8	188,6
Basic earnings per share (cents)	512	(161)
Continuing operations	193	22
Discontinued operations	319	(183)
Weighted average number of ordinary shares for basic earnings per share (million)	185,8	188,6
Adjusted for weighted average potential ordinary shares resulting from:		
– Dilutive effect of shares allocated in terms of the share schemes (million)	4,1	2,1
– Potential disposal of shares held by an associate (million)	4,5	4,5
Weighted average number of ordinary shares for diluted earnings per share (million)	194,4	195,2
Diluted earnings per share (cents)	489	(155)
Continuing operations	184	22
Discontinued operations	305	(177)

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

	Gross amount Rm	Income tax Rm	Non-controlling interests Rm	2021 Rm	2020 Rm
Earnings (loss) – basic and diluted				951	(303)
Recoupment from the disposal of property, plant and equipment, and transport fleet (IAS 16)	(34)	10	3	(21)	(35)
Loss on disposal of intangible assets (IAS 38)					3
Impairment of property, plant and equipment, and transport fleet (IAS 36)	86	(24)		62	49
Impairment of right-of-use assets (IFRS 16)	41	(10)		31	97
Impairment of intangible assets (IAS 36)	35	(10)	(11)	14	80
Impairment of goodwill (IAS 36)	40		(4)	36	216
Impairment of investment in associates and joint ventures (IAS 28)	11			11	2
Loss on disposal of subsidiaries and businesses (IFRS 10)	520	(43)	16	493	38
Profit on disposal of investment in associates and joint ventures (IAS 28)					(37)
Remeasurements included in share of result of associates and joint ventures	(3)			(3)	
Foreign exchange gain reclassified to profit or loss (IAS 21)	(364)			(364)	(160)
Post-tax remeasurement of assets on discontinuation of the European shipping business	(596)	7		(589)	241
Loss on disposal and impairment of property, plant and equipment of the European shipping business					6
Loss on disposal of property, plant and equipment of CPG					1
Headline earnings – basic and diluted				621	198
Headline earnings – basic and diluted				621	198
Continuing operations				617	295
Discontinued operations				4	(97)
Basic headline earnings per share (cents)				334	105
Continuing operations				332	156
Discontinued operations				2	(51)
Diluted headline earnings per share (cents)				319	101
Continuing operations				317	151
Discontinued operations				2	(50)

30 NOTES TO THE STATEMENT OF CASH FLOWS

The notes to the consolidated statement of cash flows includes cash flows of discontinued operations. This differs from the notes to the consolidated statement of profit or loss, which excludes discontinued operations.

	2021 Rm	2020 Rm
30.1 Cash generated by operations before interest and taxes paid		
Profit before finance costs	**2 165**	794
Continuing operations	**1 547**	1 017
Discontinued operations (refer to note 13.1.2)	**618**	(223)
Adjusted for:		
Depreciation, amortisation, impairment and recoupments	**935**	1 013
Depreciation, amortisation, impairment and recoupments of right-of-use assets	**1 792**	2 199
Recoupments from sale of properties, net of impairments	**77**	55
Amortisation and impairment of intangible assets arising on business combinations	**404**	393
Impairment of goodwill	**40**	223
Lease terminations	**(65)**	(89)
Loss (profit) on disposal of investments in associates and joint ventures, including loan impairments^	**11**	38
(Profit) loss on disposal of subsidiaries and businesses, including loss on discontinuance of CPG#	**(76)**	66
Impairment reversal (losses) of other financial assets	**1**	(13)
Net movement on interest-rate swaps	**2**	3
Fair value (gains) losses on investments	**(8)**	4
Foreign exchange (gains) losses	**(341)**	93
Contract costs amortised	**11**	
Recognition of share-based costs	**(6)**	37
Remeasurement of contingent considerations	**(30)**	(23)
Remeasurement of put option liabilities	**(39)**	(277)
Business acquisition costs	**41**	21
Decrease in retirement benefit obligations	**(6)**	(1)
Cash generated by operations before changes in working capital	**4 908**	4 536
Working capital movements		
(Increase) decrease in inventories	**(154)**	9
(Increase) decrease in trade, other receivables and contract assets	**(1 250)**	2 588
Increase (decrease) in trade and other payables and provisions	**358**	(2 038)
	3 862	5 095

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

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

		2021 Rm	2020 Rm
30	**NOTES TO THE STATEMENT OF CASH FLOWS** continued		
30.2	**Acquisition of subsidiaries and businesses**		
	Goodwill	**67**	477
	Intangible assets	**12**	378
	Investments, loans, associates and joint ventures		29
	Property, plant and equipment	**38**	495
	Transport fleet		119
	Right-of-use assets	**22**	97
	Other non-current financial assets	**2**	97
	Inventories	**29**	317
	Trade, other receivables and contract assets	**28**	306
	Cash resources	**4**	39
	Net deferred tax liabilities	**(4)**	(240)
	Non-controlling interests	**(5)**	(361)
	Other financial liabilities		(265)
	Interest-bearing borrowings	**(54)**	(40)
	Lease obligations	**(22)**	(70)
	Provisions for liabilities and other charges	**(6)**	(15)
	Trade and other payables	**(23)**	(436)
	Net current tax (liabilities) assets	**(2)**	6
	Purchase consideration transferred*	**86**	933
	Contingent consideration	**(12)**	(286)
	Fair value of shares given	**(28)**	
	Fair value of previously held interest		(325)
	Business acquisition costs	**41**	21
	Cash resources acquired	**(4)**	(39)
	Cash flow on acquisition	**83**	304

* Refer to note 37 for further detail on business combinations.

		2021 Rm	2020 Rm
30.3	**Disposal of subsidiaries and businesses**		
	Goodwill	**1 119**	
	Intangible assets	**1**	
	Investments, loans, associates and joint ventures	**89**	
	Property, plant and equipment	**107**	13
	Transport fleet	**2 778**	39
	Right-of-use assets	**792**	15
	Other financial assets	**11**	34
	Inventories	**222**	6
	Trade, other receivables and contract assets	**1 526**	24
	Cash resources	**230**	10
	Non-controlling interests		(32)
	Net deferred tax assets (liabilities)	**47**	(13)
	Retirement benefit obligations	**(644)**	
	Interest-bearing borrowings	**(475)**	(5)
	Lease obligations	**(719)**	(7)
	Net current tax liabilities	**(29)**	
	Provisions for liabilities and other charges	**(110)**	(3)
	Trade and other payables	**(1 540)**	(17)
	Net assets disposed	**3 405**	64
	Cash resources disposed	**(230)**	(10)
	Proceeds on group loans	**1 027**	
	Profit on disposal of subsidiaries and businesses	**76**	(26)
	Cash flow on disposal	**4 278**	28

		2021 Rm	2020 Rm
30	**NOTES TO THE STATEMENT OF CASH FLOWS** continued		
30.4	**Net replacement capital expenditure**		
	Expenditure		
	– Intangible assets	**(29)**	(21)
	– Plant and equipment	**(158)**	(283)
	– Transport fleet	**(373)**	(850)
		(560)	(1 154)
	Proceeds from disposals		
	– Intangible assets		73
	– Plant and equipment	**91**	45
	– Transport fleet	**290**	301
		381	419
	Net expenditure		
	– Intangible assets	**(29)**	52
	– Plant and equipment	**(67)**	(238)
	– Transport fleet	**(83)**	(549)
		(179)	(735)
30.5	**Net movement in other associates and joint ventures**		
	Proceeds on disposal of associates and joint ventures		18
	Purchase consideration paid on acquisition of associates and joint ventures	**(76)**	
	Dividends received from associates and joint ventures	**6**	7
	Movement in loans advanced to associates and joint ventures	**1**	20
		(69)	45
30.6	**Net movement in investments, loans and non-current financial instruments**		
	Cash receipt from long-term receivables and sale of investments	**204**	40
	Settlement of non-current financial liabilities and purchase of investments	**(284)**	(99)
		(80)	(59)
30.7	**Net (decrease) increase in other interest-bearing borrowings**		
	Proceeds of revolving credit facility		553
	Repayment of revolving credit facility	**(512)**	
	Repayment of bilateral and syndicated bank term loans	**(5 614)**	(500)
	Proceeds from bilateral and syndicated bank term loans		2 776
	Bank overdraft and call borrowings	**204**	
	Other movements		(1)
		(5 922)	2 828
30.8	**Cash resources at end of year**		
	Cash resources	**1 235**	3 374
	Cash resources in assets of discontinued operations		22
	Cash resources included in assets of disposal groups		190
		1 235	3 586

31 ORDINARY DIVIDENDS

Interim

- In the current year a dividend of 83 cents per share was paid on 23 March 2021.
- In the prior year a dividend of 167 cents per share was paid on 23 March 2020.

Final

- No final dividend was declared and paid in relation to the 2021 and the 2020 financial year.

Dividends are reflected gross of tax.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

		2021 Rm	2020 Rm
32	**COMMITMENTS**		
	Capital expenditure commitments		
	Contracted	**256**	106
	Authorised by directors but not contracted	**1**	8
		257	114
	Short-term lease commitments	**169**	151
		426	265

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

The operating lease payables are in respect of short-term leases and these are detailed in note 24.

		2021 Rm	2020 Rm
33	**CONTINGENT LIABILITIES**		
	Guarantees issued by Imperial Logistics Limited	**2**	30
	Guarantees issued by Imperial Capital Limited	**123**	98
		125	128
	Other contingencies including litigations	**131**	658
		256	786

Imperial Logistics Limited and Imperial Capital Limited often issue supplier guarantees in support of group companies for specified amounts.

Other contingencies including litigation relate to pending legal cases for which the group has not raised a provision as management believes there is no probability of loss based on legal advice sought. These matters include claims by customers, landlords and other third parties for various matters covering damage to stock and lease restoration costs which are being defended.

34 RELATED PARTY TRANSACTIONS

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

Significant related party transactions during the year

Imperial introduced a 25% B-BBEE shareholding in its subsidiary, Imperial Logistics South Africa Group (Proprietary) Limited (ILSA). In April 2021, Imperial entered into a transaction with Willowton Group Investments One Proprietary Limited (Willowton) and Afropulse Group Proprietary Limited (Afropulse). Afropulse's executive chairperson and co-founder is also the chairperson and a non-executive director of Imperial. Through this transaction, Afropulse, through its subsidiary, disposed of its shareholding in Imperial Logistics Advance (Proprietary) Limited (Advance), for a 9,9% shareholding in ILSA on a value-for-value basis. Afropulse acquired an additional 6,58% shareholding in ILSA by way of a subscription for shares at a 20% discount with a five-year lock-in-period. This resulted in Afropulse having an effective 12,6% shareholding in ILSA. The transaction has resulted in ILSA becoming 25% black women-owned. The transaction was effective from 30 July 2021.

Directors' interest in subsidiaries

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

Interest of directors in contracts

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

Subsidiaries

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

Associates and joint ventures

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

Details of revenue derived from associates and joint ventures are outlined in note 23.

Shareholders

The top 10 shareholders based on the number of shares held by the shareholder at 30 June 2021 are noted in Annexure A.

	2021 Rm	2020 Rm
34 RELATED PARTY TRANSACTIONS continued		
Key management personnel		
Key management personnel are directors and those executives having authority and responsibility for planning, directing and controlling the activities of the group.		
Key management personnel remuneration comprises:		
Non-executive directors' fees	**11**	9
Short-term employee benefits	**90**	70
Long-term employee benefits	**4**	4
	105	83
Number of key management personnel	**9**	10
Net gains on share options	**5**	2
Key management has to report any transaction with the group in excess of R100 000. The total value of the goods and services supplied to or from key management on an arm's length basis amounted to:	**2**	2

35 FINANCIAL INSTRUMENTS

35.1 Financial risk factors

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

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

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

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

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

35.1.1 Market risk

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

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

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

35.1.2 Currency risk

This is the risk of losses arising from the effects of adverse movements in exchange rates on net foreign currency asset or liability positions.

The group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. In order to manage these risks, the group may enter into hedging transactions. Derivative instruments are used by the group for hedging purposes. Such instruments include forward exchange contracts, futures and certain currency options authorised by the Alco.

The policy of the group is to maintain a fully covered foreign exchange risk position in respect of foreign currency commitments with a few exceptions authorised by the Alco. The day-to-day management of foreign exchange risk is performed on a decentralised basis by the various business units within the group's hedging policies and risk management guidelines. Trade-related import exposures are managed through the use of natural hedges arising from foreign assets as well as forward exchange contracts and the option structures authorised by the Alco.

35 FINANCIAL INSTRUMENTS continued

35.1 Financial risk factors continued

35.1.2 Currency risk continued

Divisional currency risk

Logistics Africa and Market Access

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

Logistics International

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

The average exchange rates shown below include the cost of forward cover. The amounts represent the net Rand equivalent of commitments to purchase and sell foreign currencies, and have all been recorded at fair value. The group has entered into certain forward exchange contracts and option structures authorised by the Alco that relate to the importation of inventories at 30 June and specific foreign commitments not yet due. The details of these contracts are as follows:

Foreign currency	Foreign amount (million)	Average exchange rate	Contract value Rm	Market value Rm
2021 – bought				
US Dollar	**18**	**14,07**	**258**	**260**
Euro	**14**	**17,55**	**242**	**237**
South African Rand	**14**	**1,03**	**14**	**14**
			514	**511**
2021 – sold				
Ghanaian Cedi	**6**	**2,38**	**14**	**14**
			14	**14**
2020 – bought				
US Dollar	17	16,30	282	289
Euro	9	20,99	190	191
South African Rand	7	1,01	7	7
			479	487

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

The impact from a 10% movement in the valuation of the Rand would have an approximate R37 million (2020: R35 million) impact on the group's equity. The 10% sensitivity rate is based on management's assessment of a reasonable possible change in foreign exchange rates over the foreseeable future with regard to market value.

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

35 FINANCIAL INSTRUMENTS continued

35.1 Financial risk factors continued

35.1.3 Interest rate risk

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

The group is exposed to interest rate risk as it borrows and places funds at both fixed and floating rates. The risk is managed by matching fixed and floating rate assets and liabilities wherever possible to achieve a repricing profile in line with the Alco guidelines. Use is made of interest rate derivatives. The group analyses the impact on profit or loss of defined interest rate shifts – taking into consideration refinancing, renewal of existing positions, alternative financing and hedging.

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

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

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

Details of the interest rate derivative instruments at 30 June 2021 are as follows: in both instances, the group has swaps from variable interest rates to fixed interest rates. The swaps are set to mature by June 2022.

	IFRS 9	Carrying value Rm	Notional amount Rm	Variable effective rate (%)	Fixed derivative rate (%)
Syndicated bank term loans – Europe	**Amortised cost**	**782**	**677**	**1,3**	**1,10**
Syndicated bank term loans – South Africa	**Amortised cost**	**1 000**	**1 000**	**5,460**	**9,194**

The impact of a 50 basis points increase in interest rates will have an annualised R17 million (2020: R9 million) effect on the group's after-tax profit and equity. The 50 basis points increase or decrease in interest rates represents management's assessment of the reasonably possible changes in interest risk.

35.1.4 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the group. At 30 June 2021 the group's maximum exposure to credit risk, without taking into account any collateral held or other credit enhancements, arises from the carrying amount of the financial assets as stated in the statement of financial position.

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

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

The carrying amount of financial assets represents the maximum credit exposure on 30 June 2021. Some of the financial assets below were given as collateral for any security provided. Refer to note 18 for further details.

The group only enters into financial deposits with authorised financial institutions of high credit standings.

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

Cash resources

The group deposits short-term cash with reputable financial institutions with high credit standings or counterparties authorised by the Alco. None of the financial institutions displayed a significant increase in credit risk during the reporting period.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

35 FINANCIAL INSTRUMENTS continued

35.1 Financial risk factors continued

35.1.4 Credit risk continued

Trade receivables

Included in trade receivables are trade accounts and lease debtors.

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

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

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

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

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

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

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

Receivables	Expecting loss model	Gross amount Rm	Loss allowance Rm	Net carrying amount Rm
Trade receivables	Lifetime ECL simplified approach	**6 837**	**(319)**	**6 518**
		6 837	**(319)**	**6 518**

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

35 FINANCIAL INSTRUMENTS continued

35.1 Financial risk factors continued

35.1.4 *Credit risk* continued

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

R million	Not past due	< 30 days	> 30 days	> 60 days	> 90 days	> 120 days	Total
ECL rate		**1,2%**	**2,8%**	**13,6%**	**43,9%**	**82,3%**	
Gross amount outstanding	**4 437**	**1 476**	**436**	**132**	**57**	**299**	**6 837**
Lifetime ECL allowance		**(18)**	**(12)**	**(18)**	**(25)**	**(246)**	**(319)**
2021	**4 437**	**1 458**	**424**	**114**	**32**	**53**	**6 518**
ECL rate		1,7%	1,6%	9,7%	50,0%	73,2%	
Gross amount outstanding	4 109	1 122	319	259	102	456	6 367
Lifetime ECL allowance		(19)	(5)	(25)	(51)	(334)	(434)
2020	4 109	1 103	314	234	51	122	5 933

Of the trade receivables that are past due, R93 million (2020: R199 million) is subject to enforcement activity. None of the trade receivables written off are subject to enforcement activity.

To mitigate the credit risk, the group holds collateral and other credit enhancements like credit insurance on certain trade receivables. At year-end, an amount of R2 million of non-performing trade receivables was not impaired due to collateral held.

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

The group considered the following forward-looking information in estimating the ECL:

- The geography and industry in which the customers and entities operate, taking into consideration the fact that different risks need to be applied in different geographies.
- Length of time amounts are overdue and time taken to settle underlying receivables, with long-outstanding accounts being at a higher risk.
- Past default experiences for each of the operating segments.
- The estimated ECLs in respect of trade receivables were calculated based on actual credit loss experience over previous years. Actual credit loss experience was adjusted by entity-specific scalar factors and macroeconomic information such as the lack of economic stimuli in South Africa, the uncertainty around Brexit in the United Kingdom, and the global shortage of semi-conductors in the automotive market was taken into account by the various divisions across the group. None of these were material enough to make an adjustment to the estimated ECLs to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the group's view of economic conditions over the expected lives of the receivables, including the impact of COVID-19.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

35 FINANCIAL INSTRUMENTS continued

35.1 Financial risk factors continued

35.1.4 *Credit risk* continued

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

At 30 June 2021, the group has assessed the ECLs for trade receivables to determine the impact of COVID-19 on trade receivables. However, due to strict cash management measures during these uncertain times, the group was able to significantly reduce trade receivables as well as improve the ageing profile of trade receivables.

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

The movement in expected credit loss allowance is detailed below.

	2021 Rm	2020 Rm
Carrying value at beginning of year	**434**	365
Reclassified to assets of disposal groups and discontinued operations		(19)
Net acquisition of subsidiaries and businesses	**2**	20
Charged to profit or loss – continuing operations	**20**	72
Charged to profit or loss – discontinued operations		(37)
Amounts utilised	**(33)**	(32)
Reversed to profit or loss	**(45)**	(24)
Currency adjustments	**(59)**	89
Carrying value at end of year	**319**	434

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

Amounts charged to profit or loss or reversed to profit or loss are reflected under the "Net operating expenses" line in the statement of profit or loss during the year with further detail under note 24. The closing balance is reflected under the "Trade and other receivables" line on the statement of financial position with further details in note 11.1.

Guarantees

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

35.1.5 *Liquidity risk*

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

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

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

35 FINANCIAL INSTRUMENTS continued

35.1 Financial risk factors continued

35.1.5 *Liquidity risk* continued

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

	Contractual cash flows Rm	Less than one year Rm	One to five years Rm	More than five years Rm
Maturity profile of financial assets				
Unlisted investments	**155**		**155**	
Loans receivable	**182**	**40**	**142**	
Gross trade receivables	**6 837**	**6 837**		
Current derivative financial assets	**8**	**8**		
2021	**7 182**	**6 885**	**297**	
2020	6 648	6 477	85	86

During the year, trade receivables with a value of R734 million (2020: R862 million) were sold as part of an asset-backed commercial paper programme. The group retains no continuing involvement with these trade receivables.

	Carrying amount Rm	Contractual cash flows Rm	Less than six months Rm	Less than one year Rm	One to five years Rm	More than five years Rm
Maturity profile of financial liabilities						
Interest-bearing borrowings	**5 273**	**5 732**	**806**	**1 816**	**3 110**	
Lease obligations	**4 866**	**5 440**	**700**	**930**	**3 137**	**673**
Non-current derivative liabilities	**19**	**19**		**19**		
Put option liabilities	**515**	**515**	**18**		**497**	
Contingent consideration liabilities	**150**	**150**	**131**		**19**	
Other financial liabilities	**228**	**228**			**228**	
Trade payables	**8 986**	**8 986**	**4 421**	**4 565**		
Current derivative financial liabilities	**11**	**11**	**11**			
2021	**20 048**	**21 081**	**6 087**	**7 330**	**6 991**	**673**
2020	28 385	29 683	11 555	2 792	15 291	45

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

35 FINANCIAL INSTRUMENTS continued

35.2 Fair value measurement

35.2.1 Fair value hierarchy

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

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

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

The following table shows the classification of financial instruments carried at fair value, present value and amortised cost. It further categorises instruments carried at fair value into the appropriate fair value hierarchy. The carrying value of the assets and liabilities carried at amortised cost approximate their fair values.

	IFRS 9	Carrying value Rm	Level 2 Rm	Level 3 Rm	At present value Rm	At amortised cost Rm
Financial assets						
Unlisted investments	FVTPL	155		155		
Loans receivable	Amortised cost	182				182
Trade receivables	Amortised cost	6 518				6 518
Other receivables	Amortised cost	953				953
Foreign exchange contracts and cross-currency swaps	FVTPL	8	8			
Cash resources	Amortised cost	1 235				1 235
Maximum credit exposure		9 051	8	155		8 888
Financial liabilities						
Interest-bearing borrowings	Amortised cost	5 273				5 273
Lease obligations	Amortised cost	4 866				4 866
Other financial liabilities		912	19	150	515	228
Cross-currency and interest-rate swap derivatives	FVTOCI	19	19			
Contingent consideration liabilities	FVTPL	150		150		
Put option liability	At present value	515			515	
Other loans payable	Amortised cost	228				228
Trade and other payables		8 997	11			8 986
Trade payables and accruals	Amortised cost	8 986				8 986
Foreign exchange contracts and interest-rate swaps	FVTPL	11	11			
		20 048	30	150	515	19 353

35.2 Fair value measurement continued

35.2.1 Fair value hierarchy continued

IFRS 9 – Financial instruments

Classification and measurement of financial instruments

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

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

35.2.2 Sensitivity information

The carrying value of the contingent consideration liabilities and the net present value of the put option liabilities were estimated by applying an income approach valuation method including a present value discount technique.

The 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 and the discount rates applied. The assumed profitabilities were based on historical performances but adjusted for expected growth.

The following table shows how the carrying value of the contingent consideration liabilities and the net present value of the put option liabilities as at 30 June 2021 would change if the significant assumptions were to be replaced by a reasonable possible alternative:

Financial instruments	Valuation technique	Main assumption	Percentage change of assumptions used	Carrying value Rm	Increase in liabilities Rm	Decrease in liabilities Rm
Put option liabilities	Income approach	Earnings growth	**2% – 10%**	**515**	**10**	**(12)**
Contingent consideration liabilities	Income approach	Assumed profits	**10%**	**150**	**10**	**(16)**

The following table shows a reconciliation of the carrying values at the beginning and end of the year of the put option liability (at present value) and the contingent consideration liability (at level 3 fair value) at 30 June 2021:

	Put option liabilities Rm	Contingent consideration liabilities (level 3) Rm	2021 Rm	2020 Rm
Carrying value at beginning of year	**646**	**336**	**982**	993
Arising on business combinations	**66**	**12**	**78**	286
Arising on buy-out of non-controlling interests				(222)
Remeasurement through profit or loss	**(39)**	**(30)**	**(69)**	(267)
Derecognition of put liability				(33)
Settlements	**(48)**	**(120)**	**(168)**	(19)
Currency adjustments	**(110)**	**(48)**	**(158)**	244
Carrying value at end of year	**515**	**150**	**665**	982

The Eco Health put option liability was reduced by R39 million based on a lower earnings outlook and higher discount rates.

The remeasurement of the contingent liabilities of R30 million relates to the reversal of a contingent consideration liability for which achieving profit targets are highly improbable.

Transfers between hierarchy levels

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

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

35 FINANCIAL INSTRUMENTS continued

35.3 Capital management

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

The group has externally imposed capital requirements in terms of debt covenants on bank facilities. The covenant, which is calculated on a basis pre-IFRS 16, requires the group to maintain a net debt to earnings before interest, tax, depreciation and amortisation (EBITDA) of below 3,25:1. The ratio at 30 June 2021 is 1,3:1 (2020: 2,8:1). Further, the group's interest cover shall not be less than 3,0:1. The interest cover at 30 June 2021 is 6,6:1 (2020: 5,3:1).

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

	2021 Rm	2020 Rm
Interest-bearing borrowings	**5 273**	11 765
Less: Cash resources	**1 235**	3 374
Net debt	**4 038**	8 391
Total equity	**7 759**	8 272
Gearing ratio (%)	**52,0**	101,4

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

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

Refer to note 35.1.5 above for the maturity profile of the group's financial liabilities based on undiscounted contractual cash flows.

36 INTEREST IN OTHER ENTITIES

36.1 Composition of the group

Imperial is mainly an African and Eurozone logistics provider of outsourced, integrated freight management, contract logistics and market access – customised to ensure relevance and competitiveness of our clients. The consolidated financial statements include the accounts of Imperial Logistics Limited (the company) and all of its subsidiaries at 30 June 2021.

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

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

Subsidiary	**Place of incorporation**	**% owned**	**Nature of business**
Imperial Holdings International Cooperation U.A.	Netherlands	100	Business conducted by Imperial Holdings International Cooperation U.A. and its subsidiaries comprises integrated logistics solutions. Further details on the composition of Imperial Holdings International Cooperation U.A. are provided in note 36.1.2.
Imperial Logistics South Africa Holdings (Proprietary) Limited	South Africa	100	Imperial Logistics South Africa Holdings (Proprietary) Limited is the holding company of the South African Logistics group. Business conducted by the South African Logistics group comprises transportation, warehousing, logistics and group services. Details on the businesses included are provided in note 36.1.3.
Imperial Capital Limited	South Africa	100	Imperial Capital is a registered Domestic Treasury Management Company (DTMC) entity. It is the holding company of the African Regions businesses, with the businesses ranging from transportation to distribution and logistics services. It holds a 90% interest in Eco Health Limited, 70% in Surgipharm Limited, 57% in MDS Logistics, 51% in ACP Holdings and Imperial's interest in other African logistics and transport operations. Details on the businesses included are provided in note 36.1.5.

36 INTEREST IN OTHER ENTITIES continued
36.1 Composition of the group continued
36.1.2 Principal subsidiaries of Imperial Holdings International Cooperation U.A.

Subsidiary	Place of incorporation	% owned	Nature of business
Imperial Mobility Finance B.V.	Netherlands	100	The subsidiary is a finance company that obtains funding for various entities within the group.
Imperial Logistics International B.V. & Co.KG	Germany	100	The subsidiary is the holding company for all German and other European subsidiaries. Furthermore, it houses the shared services and the central IT function of the International Logistics Group.
Imperial Industrial Logistics GmbH	Germany	100	Specialises in contract logistics for the steel industry and in spare parts logistics for machinery and equipment manufacturers including warehousing, transport and value-added services.
Imperial Automotive Logistics GmbH	Germany	100	A contract logistics specialist providing a broad range of services from the beginning to the end of the supply chain for the automotive industry including original equipment manufacturers (OEMs) and suppliers.
Imperial Chemical Logistics GmbH	Germany	100	Imperial Chemical Logistics and subsidiaries specialise in chemical logistics, offering transport, warehousing distribution and value-added services such as packaging on behalf of their customers.
Imres B.V.	Netherlands	100	Imres, a wholesaler of pharmaceutical and medical supplies to non-governmental organisations (NGOs), hospitals and retailers, operates in the international medical relief industry, targeting mainly African emerging countries with developing healthcare markets and needs.
Palletways Group Limited	United Kingdom	97,4	Palletways provides express delivery of palletised freight, and is Europe's leading pallet network with more depots and greater volumes than any other operator. Palletways handles over 45 000 pallets daily – the equivalent of one pallet every two seconds. Since its launch, Palletways has developed a strategic network of more than 400 depots and 20 hubs, covering 24 European countries. Further details are provided in non-controlling interest; refer to note 36.2.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

36 INTEREST IN OTHER ENTITIES continued

36.1 Composition of the group continued

36.1.3 Principal businesses of Imperial Logistics South Africa Holdings (Proprietary) Limited

Subsidiary	Place of incorporation	% owned	Nature of business
Imperial Logistics South Africa Group (Proprietary) Limited	South Africa	100	These businesses provide a complete logistics solution, including transportation, warehousing, distribution and related value-added services in South Africa. This entity also provides group services and the treasury function of the Logistics South Africa Group. Details on the businesses included are provided in note 36.1.4. Refer to note 38 for details about a change in shareholder after year-end.
VMS Group (Proprietary) Limited	South Africa	60	This entity houses the Parcel Ninja business. Parcel Ninja is based in South Africa and is an e-commerce logistics business, offering South African e-tailors an outsourcing solution for their fulfilment needs.
Itumele Bus Lines (Proprietary) Limited	South Africa	55	Itumele's primary business is providing public transport services on behalf of the provincial government to commuters in and around Bloemfontein. Founded in 1975, the operation comprises a fleet of 253 commuter buses and 32 luxury coaches. Itumele transports approximately 50 000 passengers daily and its buses travel approximately 17 million kilometres a year.
Goldfields Trucking (Proprietary) Limited	South Africa	60	The Goldfields Group offers specialist warehousing and distribution centre solutions for every supply chain need, as well as the supply of reliable primary transport of super link and bulk liquid (non-chemical) loads. Goldfields boasts an extensive national footprint with a fleet consisting of various types of vehicles for long-haul and local distribution, and operates nationally and cross-border throughout Southern Africa. Further details are provided in non-controlling interest; refer to note 36.2.
Imperial Logistics Advance Group (Proprietary) Limited	South Africa	75	Advance Group comprises KWS Logistics and Tankers businesses. The KWS business operates in the agriculture and mining industries and offers transportation management solutions. The company moves approximately 160 000 metric tonnes per month throughout Southern Africa by using strategic asset owners. Tanker Services Food & Chemicals provides transportation of liquid and dry bulk products throughout South Africa. Tanker Services Fuel & Gas provides road transportation, both primary (transportation from Durban and Cape Town ports to inland destinations) and secondary (transportation to mining operations and retail outlets), of bulk fuel and gas products. Refer to note 38 for details about a change in shareholder after year-end.
PPLE Staffing Group	South Africa	100	PPLE Staffing Group specialises in the supply of short- and long-term workforces to meet the staffing requirements of its clients. The business provides human capital solutions to a number of industry sectors including hospitality, healthcare, hygiene and industrial.

36 INTEREST IN OTHER ENTITIES continued

36.1 Composition of the group continued

36.1.4 Principal businesses of Imperial Logistics South Africa Group (Proprietary) Limited ("ILSA Group")

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

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

36 INTEREST IN OTHER ENTITIES continued

36.1 Composition of the group continued

36.1.5 Principal businesses of Imperial Capital Limited

Subsidiary	Place of incorporation	% owned	Nature of business
Eco Health Limited	Nigeria	90	Eco Health is a leading distributor of pharmaceutical products in Nigeria. Based in Lagos, Nigeria, the company also has operations in Ghana and Dubai. Further details are provided in non-controlling interest; refer to note 36.2.
Surgipharm Limited	Kenya	70	Surgipharm, headquartered in Nairobi, is a leading distributor of pharmaceutical, medical and surgical supplies in Kenya. Further details are provided in non-controlling interest; refer to note 36.2.
MDS Logistics Limited	Nigeria	57	MDS Logistics Limited, established in Nigeria, is engaged in the business of supply chain and logistics management services. The principal activities of MDS are warehousing, distribution and haulage services. Further details are provided in non-controlling interest; refer to note 36.2.
ACP Holdings Limited (Far East Mercantile)	Ghana	51	Far East Mercantile is based in Ghana and provides a route-to-market solution for consumer packaged goods in Ghana. These services extend beyond transportation and warehousing and include sales and merchandising. Further details are provided in non-controlling interest; refer to note 36.2.
Axis Group International DMCC	Ghana	60	The group, headquartered in Dubai, is strategically aligned to facilitate trade between Imperial's present customer base and companies based in the Chinese and Asian region. Axis can facilitate the sourcing and purchasing of products in China and Asia as well as provide a route-to-market for all companies wanting to trade in these particular areas.
CIC Namibia	Namibia	100	CIC Namibia, headquartered in Windhoek, is engaged in the supply of fast-moving consumer goods through agency agreements with blue-chip manufacturers, both locally and internationally. These services include sales and merchandising, warehousing, distribution, procurement and marketing.
Cicoti Limited	Mozambique	100	Cicoti Limited is headquartered in Mozambique and is engaged in the import, sale and distribution of fast-moving consumable goods.
Far East Imperial Brands Limited	Nigeria	51	Far East Brands is based in Nigeria and provides a route-to-market solution for consumer-packaged goods in Nigeria. These services extend beyond transportation and warehousing, and include sales and merchandising.
Geka Pharma (Proprietary) Limited	Namibia	65	Geka Pharma, headquartered in Windhoek, is engaged in the supply of pharmaceuticals to the healthcare industry in Namibia and is a fully registered and licensed pharmaceutical wholesaler. Geka delivers products throughout Namibia to pharmacies, private clinics and hospitals, pharmaceutical wholesalers, doctors and other healthcare service providers as well as the Ministry of Health and Social Services.

36 INTEREST IN OTHER ENTITIES continued

36.2 Non-controlling interests in the group's activities

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

Subsidiary	Principal place of business	Operating segment	Interest held by NCI 2021 %	Interest held by NCI 2020 %
Eco Health Limited	Nigeria	Market Access	**10**	11
Far East Mercantile	Ghana	Market Access	**49**	49
Surgipharm Limited	Kenya	Market Access	**30**	30
MDS Logistics Limited	Nigeria	Logistics Africa	**43**	43
Goldfields Trucking (Proprietary) Limited	South Africa	Logistics Africa	**40**	40
Palletways Group Limited	United Kingdom	International	**3**	4

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

	Eco Health		Far East		Surgipharm		MDS		Goldfields		Palletways	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm
Revenue	**3 397**	3 203	**1 820**	801	**1 384**	1 202	**329**	170	**1 154**	1 081	**6 962**	5 813
Net profit for the year	**202**	320	**80**	23	**81**	48	**1**	11	**87**	79	**342**	124
Net profit attributable to non-controlling interests	**16**	31	**31**	7	**20**	6	**(17)**	(21)	**35**	32	**10**	5
Other comprehensive income	**(110)**	11	**(37)**	7	**(73)**	16	**(114)**	39			**(385)**	807
Total comprehensive income	**92**	331	**43**	30	**8**	64	**(113)**	50	**87**	79	**(43)**	931
Income attributable to non-controlling interests	**6**	39	**13**	14	**(1)**	26	**(66)**	12	**35**	32	**(1)**	34
Total assets	**2 320**	2 845	**472**	519	**746**	757	**338**	485	**668**	648	**5 647**	5 854
Total liabilities	**1 614**	2 063	**398**	455	**435**	468	**166**	265	**380**	410	**1 379**	1 547
Total equity	**706**	782	**74**	64	**311**	289	**172**	220	**288**	238	**4 268**	4 307
Equity attributable to non-controlling interests	**53**	65	**6**	31	**86**	87	**29**	94	**115**	95	**116**	162
Dividends paid to non-controlling interests	**12**	28	**38**						**15**	27		
Cash paid for non-controlling interests	**46**	34									**41**	43
Put option liabilities	**449**	646										

	2021 Rm	2020 Rm
36 INTEREST IN OTHER ENTITIES continued		
36.3 Investment in associates and joint ventures		
Unlisted shares at cost	**120**	82
Share of post-acquisition reserves	**62**	78
Carrying value of shares – equity accounted	**182**	160
Indebtedness by associates and joint ventures – maturing after 30 June 2022	**19**	38
	201	198

As at 30 June 2021 there is no individual associate that is material to the group. The following is summarised financial information for the group's interest in immaterial associates and joint ventures, based on the amounts reported in the group's consolidated annual financial statements:

	Associates	
	2021 Rm	2020 Rm
Group's share of:		
– Net profit for the year	**3**	22
– Other comprehensive income for the year		12
Total comprehensive income for the year	**3**	34
Carrying value of interest in immaterial associates at 30 June 2021	**182**	160

37 BUSINESS COMBINATIONS DURING THE YEAR

During the year, the group acquired various businesses that are individually immaterial for a total consideration of R86 million. Please refer to note 30.2 for the major assets acquired and liabilities assumed at date of acquisition.

Reasons for the acquisitions

The group acquired a 60% shareholding in Parcel Ninja (Proprietary) Limited in February 2021 for R70 million, resulting in R54 million goodwill being raised. Parcel Ninja is based in South Africa and is an e-commerce logistics business, offering South African e-tailors an outsourcing solution for their fulfilment needs.

The other businesses were acquired to complement and expand into the automotive industry and healthcare industry in South Africa and expand offerings in Nigeria and Ghana.

Details of contingent consideration for acquisitions concluded during the year

The contingent consideration requires the group to pay the vendors an additional total amount of R12 million over three years if the entities' revenue and net debt exceed certain targets. At year-end the contingent consideration liability was reassessed based on what is expected to be paid, and no remeasurement was required.

Acquisition costs for acquisitions concluded during the year

Acquisition costs for business acquisitions concluded during the year amounted to R2 million and have been recognised as an expense in profit or loss in the "Remeasurement of financial liabilities and capital items" line.

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

From the dates of acquisition, the businesses acquired during the year contributed revenue of R1 124 million and operating profit of R37 million. Intangible assets arising out of the business combinations were amortised by R1 million and the group incurred funding cost of R1 million, calculated on the cash consideration paid on acquisitions.

Had all the acquisitions been consolidated from 1 July 2020, they would have contributed revenue of R1 983 million and operating profit of R90 million. The amortisation of intangible assets would have been R3 million and the funding cost R2 million.

Separate identifiable intangible assets for acquisitions concluded during the year

As at the acquisition date, the fair value of the separate identifiable intangible assets arising out of the Parcel Ninja acquisition amounted to R12 million. This fair value, which is classified as level 3 in the fair value hierarchy, was determined using the multi-year excess earnings method (MEEM) valuation technique for contract-based intangible assets. The valuation of the intangibles assets as well as the discount rates applied were determined by management, with the assistance of a reputable independent expert, independently from the group.

The significant unobservable valuation inputs used were discount rates of 23% – 24% and terminal growth rates of 4,9%.

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

Other details for acquisitions concluded during the year

Trade and other receivables had gross contractual amounts of R28 million with an insignificant amount considered doubtful. Non-controlling interests have been calculated based on their proportionate share in the acquiree's net assets. None of the resulting goodwill is deductible for tax purposes.

38 EVENTS AFTER THE REPORTING PERIOD

Social unrest

The social unrest that occurred in parts of South Africa during July 2021 will have a negative impact on the results for July 2021.

Deep Catch acquisition

The group has entered into an agreement for the acquisition of 100% of Deep Catch Namibia Holdings (Deep Catch) for an estimated purchase consideration of R633 million. Deep Catch is a diversified and vertically integrated business engaged in the wholesale, distribution and cold storage of perishable foods in Namibia, South Africa, Zimbabwe and Zambia. The acquisition is in line with Imperial's 'Gateway to Africa' strategy providing Market Access business with opportunities to increase our reach into the consumer market and expand our footprint on the African continent. The transaction is subject to the fulfilment of regulatory approval and other outstanding conditions.

J&J Group acquisition

As announced on 29 July 2021, the group has entered into an agreement for the acquisition of 51% of J&J Group for an estimated purchase consideration of approximately R1 184 million (USD80,7 million). The J&J Group's core business is cross-border trucking, supported by integrated end-to-end transport logistics solutions from initial vessel logistics to warehousing, short-haul in-country transport and specialised transport. It provides our Logistics Africa business with the opportunity to access the Beira and North-South corridors and expand our footprint on the African continent. The transaction is subject to the fulfilment of regulatory approval and other outstanding conditions.

B-BBEE TRANSACTION

As set out in the announcement and circular published on SENS on Friday, 25 June 2021, the group has entered into the transaction agreements with Afropulse and Willowton in relation to a proposed transaction that will provide the B-BBEE shareholders with an opportunity to participate in a 25% B-BBEE shareholding in ILSA Group. The effective B-BBEE ownership of ILSA Group post implementation of the transaction will be more than 51%, with more than 30% black women ownership until the Ukhamba structure ends. Shareholder approval was obtained on 26 July 2021 with all conditions precedent having been met, with the effective date of the transaction being 30 July 2021. The initial proceeds of R302 million were received on 30 July 2021.

DP World offer

As announced in July 2021, Imperial entered into a transaction implementation agreement regarding a cash offer of R66 per share from DP World Logistics FZE ("DP World") to acquire all outstanding shares of Imperial.

The transaction is subject to regulatory and shareholder approvals, and other conditions precedent.

In the event that all conditions precedent are met, DP World will acquire all the outstanding shares of Imperial. This will result in the delisting of Imperial's ordinary shares from the JSE and the termination of Imperial's American Depository Receipt programme.

The consent of debt funders is required under certain facility agreements in order to prevent an acceleration of the facilities provided pursuant to those agreements.

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

39 DIRECTORS' REMUNERATION AND INTEREST IN SHARES

39.1 Directors' emoluments

	Salary R'000	Bonus and settle-ments R'000	Retire-ment and medical contri-butions R'000	Other benefits R'000	Directors' fees R'000	Subsidiary/ associate and sub-committee fees R'000	2021 Total R'000	2020 Total R'000
Non-executive directors								
P Cooper					**363**	**747**	**1 110**	933
GW Dempster					**998**	**771**	**1 769**	1 635
P Langeni					**1 628**	**715**	**2 343**	2 101
NB Duker					**363**	**747**	**1 110**	454
D Reich					**2 772**		**2 772**	1 850
H Adesola (appointed 22 February 2021)					**270**	**63**	**333**	
J Anammah (appointed 22 February 2021)					**270**	**59**	**329**	
RJA Sparks					**363**	**1 150**	**1 513**	1 349
Resigned from Imperial								
T Skweyiya								524
2021 – non-executives					**7 027**	**4 252**	**11 279**	
Executive directors								
M Akoojee	**10 591**	**14 998**	**525**	**120**			**26 234**	17 459
JG de Beer	**5 443**	**8 130**	**492**	**179**			**14 244**	9 351
2021 – executives	**16 034**	**23 128**	**1 017**	**299**			**40 478**	
2021 – all directors	**16 034**	**23 128**	**1 017**	**299**	**7 027**	**4 252**	**51 757**	
2020 – all directors	14 693	10 770	1 049	298	5 256	3 590		35 656
Prescribed officers								
J Truter	**4 489**	**4 663**	**604**	**314**			**10 070**	6 668
H Bicil	**7 983**	**23 289**	**1 086**	**273**			**32 631**	13 602
E Hewitt	**5 262**	**5 552**	**395**	**120**			**11 329**	1 648
Retired								
N vd Westhuizen								9 657
2021 – prescribed officers	**17 734**	**33 504**	**2 085**	**707**			**54 030**	
2020 – prescribed officers	19 133	9 133	1 952	1 357				31 575

Refer to remuneration report in the integrated report for further details on directors' remuneration.

39.2 Directors' interest in shares

	2021 Beneficial	2020 Beneficial
Non-executive directors		
GW Dempster	**99**	99
RJA Sparks	**40 000**	40 000
	40 099	40 099
Executive directors		
M Akoojee	**276 518**	236 638
JG de Beer	**76 817**	76 817
	353 335	313 455
	393 434	353 554

39 DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

39.3 Incentive schemes

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

Participation in the SARs scheme

	Commencement date	Number of rights	Price	Vesting date	Vested	Exercised during the year	Balance
Executive directors							
M Akoojee	**18 May 2016**	**103 976**	**127,77**	**16 Sep 2019**	**91 249**		**91 249**
	21 Jun 2017	**66 556**	**152,65**	**16 Sep 2020**	**15 421**		**15 421**
JG de Beer	**6 Oct 2015**	**27 226**	**174,65**	**15 Sep 2018**	**27 226**		**27 226**
	18 May 2016	**81 677**	**127,77**	**16 Sep 2019**	**71 680**		**71 680**
	21 Jun 2017	**132 878**	**152,65**	**16 Sep 2020**	**30 787**		**30 787**
Prescribed officers							
J Truter	**6 Oct 2015**	**27 756**	**174,65**	**15 Sep 2018**	**27 756**		**27 756**
	18 May 2016	**48 373**	**127,77**	**16 Sep 2019**	**42 452**	**42 452**	
	21 Jun 2017	**57 995**	**152,65**	**16 Sep 2020**	**13 437**		**13 437**
	30 Nov 2018	**147 992**	**65,09**	**15 Sep 2021**			**147 992**
H Bicil	**30 Nov 2018**	**522 783**	**65,09**	**15 Sep 2021**			**522 783**

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

Participation in the DBPs scheme

	Commencement date	Number of rights allocated	Vesting date	Number of shares committed	Forfeited	Vested during the year	Balance
Executive directors							
M Akoojee	**21 Jun 2017**	**49 132**	**16 Sep 2020**	**39 880**	**9 252**	**39 880**	
	30 Nov 2018	**142 111**	**15 Sep 2021**	**142 111**			**142 111**
JG de Beer	**30 Nov 2018**	**76 817**	**15 Sep 2021**	**76 817**			**76 817**
Prescribed officers							
J Truter	**21 Jun 2017**	**5 062**	**16 Sep 2020**	**5 062**		**5 062**	
	30 Nov 2018	**16 132**	**15 Sep 2021**	**16 132**			**16 132**

Notes to the consolidated annual financial statements continued

for the year ended 30 June 2021

39 DIRECTORS' REMUNERATION AND INTEREST IN SHARES continued

39.3 Incentive schemes continued

Participation in the CSPs scheme

	Date of grant	Conditional awards	Vesting date 1 15 Sep 2021	Vesting date 2 15 Sep 2022	Vesting date 3 15 Sep 2023
Executive directors					
M Akoojee	30 Nov 2018	460 900	115 225	115 225	230 450
	04 Sep 2019	373 982		373 982	
	14 Sep 2020	540 319			540 319
JG de Beer	30 Nov 2018	307 267	76 817	76 817	153 633
	04 Sep 2019	202 719		202 719	
	14 Sep 2020	292 883			292 883
Prescribed officers					
J Truter	30 Nov 2018	238 132	59 533	59 533	119 066
	04 Sep 2019	164 272		164 272	
	14 Sep 2020	259 940			259 940
H Bicil	30 Nov 2018	253 495	63 374	63 374	126 747
	04 Sep 2019	279 167		279 167	
	14 Sep 2020	277 734			277 734
E Hewitt	02 Mar 2020	217 297			217 297
	14 Sep 2020	277 734			277 734

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

	2021 R'000	2020 R'000
Executive director		
M Akoojee	**3 001**	1 982
Prescribed officer		
J Truter	**987**	

40 GOING CONCERN

Going concern statement

The group continued to adopt the going concern basis in preparing the annual financial statements.

Solvency and liquidity

At 30 June 2021 the group's total assets exceeded total liabilities by R7 759 million. The total direct borrowing facilities established at the reporting date amounted to R19 580 million, of which R14 413 million was the unutilised borrowing capacity.

The group's net debt to EBITDA was 1,3 times and the EBITDA to interest was 6,6 times, both well within the externally imposed covenants of 3,25 times and 3,0 times, respectively. The group's operations remain profitable for the foreseeable future with no intention by the group to cease trading.

Structural changes

No significant structural changes to the business, due to the COVID-19 pandemic, were required. The sale of the European and South American shipping business as well as Pharmed are in line with the group's long-term strategic objectives and is unrelated to the pandemic.

41 GEOGRAPHIC INFORMATION

Country	**Revenue 2021 Rm**	Revenue 2020 Rm	**Non-current assets 2021 Rm**	Non-current assets 2020 Rm
Europe	**13 864**	12 068	**6 410**	7 255
South Africa	**16 245**	16 049	**8 212**	9 305
United Kingdom	**7 227**	6 041	**892**	848
Nigeria	**4 162**	3 327	**350**	449
Ghana	**2 208**	1 130	**43**	48
Kenya	**1 994**	1 732	**159**	223
Namibia	**3 348**	2 760	**288**	294
Mozambique	**1 670**	1 898	**59**	85
Southern Africa	**703**	739	**70**	95
Other regions	**787**	636	**341**	2 668
	52 208	46 380	**16 824**	21 270

Company statement of financial position

as at 30 June 2021

	Notes	2021 Rm	2020 Rm
ASSETS			
Interest in subsidiaries	2	**14 270**	14 160
Investments in associates and joint ventures	3	**80**	
Deferred tax asset	4	**5**	16
Other financial assets			5
Trade and other receivables			3
Total assets		**14 355**	14 184
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and share premium	5	**1 030**	1 030
Retained earnings		**10 521**	10 314
Hedging reserve		**(12)**	(41)
Total equity		**11 539**	11 303
Liabilities			
Interest-bearing borrowings	6	**1 000**	1 000
Other financial liabilities	8	**19**	59
Trade payables and other liabilities	7	**6**	22
Current portion of interest-bearing borrowings	6	**1 791**	1 800
Total liabilities		**2 816**	2 881
Total equity and liabilities		**14 355**	14 184

Company statement of comprehensive income

for the year ended 30 June 2021

	Notes	2021 Rm	2020 Rm
Revenue	9	**2**	1 021
Net operating expenses	10	**(23)**	(17)
Remeasurement of financial liabilities and capital items	11	**395**	120
Profit before net financing income		**374**	1 124
Finance cost		**(219)**	(290)
Finance income		**221**	293
Profit before tax		**376**	1 127
Income tax expense	12	**(1)**	(1)
Net profit for the year		**375**	1 126
Other comprehensive income (loss) that may be classified subsequently to profit or loss		**29**	(20)
Movement in hedge accounting reserve		**40**	(28)
Income tax relating to the movement in the hedge accounting reserve		**(11)**	8
Comprehensive income for the year		**404**	1 106

Company statement of changes in equity

for the year ended 30 June 2021

	Share capital and share premium Rm	Hedging reserve Rm	Retained earnings Rm	Total Rm
At 30 June 2019	1 030	(21)	9 743	10 752
Total comprehensive income for the year		(20)	1 126	1 106
Ordinary dividends paid			(555)	(555)
At 30 June 2020	**1 030**	**(41)**	**10 314**	**11 303**
Total comprehensive income for the year		**29**	**375**	**404**
Ordinary dividends paid			**(168)**	**(168)**
At 30 June 2021	**1 030**	**(12)**	**10 521**	**11 539**

Company statement of cash flows

for the year ended 30 June 2021

	Notes	2021 Rm	2020 Rm
Cash flows from operating activities			
Cash generated by operations	13	**353**	1 129
Finance cost paid		**(219)**	(290)
Finance income received		**221**	293
Tax paid		**(1)**	(1)
		354	1 131
Cash flows used in investing activities			
Additional investment in subsidiaries		**(199)**	(544)
Acquisition of subsidiaries		**(2)**	
Disposal of subsidiaries		**5**	
Acquisition of associates and joint ventures		**(80)**	
Capital distribution from subsidiaries			34
Cash inflow (outflow) on investments and other non-current financial assets		**5**	(11)
Loans settled by (granted to) subsidiaries		**94**	(1 286)
		(177)	(1 807)
Cash flows from financing activities			
Dividends paid		**(168)**	(555)
Increase in interest-bearing borrowings		**(9)**	962
		(177)	407
Net decrease in cash and cash equivalents			(269)
Cash resources at beginning of year			269
Cash resources at end of year			

Notes to the company annual financial statements

for the year ended 30 June 2021

1 ACCOUNTING POLICIES

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

1.1 Statement of compliance

The annual financial statements are stated in South African Rand and are prepared in accordance with IFRS and its interpretations adopted by the IASB in issue and effective for the company at 30 June 2021 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa, 2008.

1.2 Basis of measurement

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

1.3 Interest in subsidiaries

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

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

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

1.4 Financial instruments

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

Initial measurement

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

Subsequent measurement

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

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

Derecognition

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

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

1.5 Revenue

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

1.6 Finance costs and finance income

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

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

1 ACCOUNTING POLICIES continued

1.7 Income taxes

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

Current tax

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

Withholding tax

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

Deferred tax

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

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

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

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

1.8 Significant judgements and estimates

The preparation of the annual financial statements requires the company's management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and economic conditions.

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

1.9 IFRS standards that became effective during the year

There are various amendments and interpretations which have been issued. None of these are expected to have a significant impact on the company. Refer to note 2 on the consolidated annual financial statements for further details.

	2021 Rm	2020 Rm
2 INTEREST IN SUBSIDIARIES		
Shares at cost	**13 205**	13 023
Indebtedness by subsidiaries	**3 686**	3 777
	16 891	16 800
Less: impairment	**(2 621)**	(2 640)
Interest in subsidiaries net of impairment	**14 270**	14 160
Details of the company's principal subsidiaries are reflected in note 36 of the consolidated annual financial statements. The movement in shares at cost comprised primarily of additional capital injections into the businesses of R199 million, new acquisitions of R2 millions and disposals of R19 million.		
3 INVESTMENT IN ASSOCIATES AND JOINT VENTURES		
Unlisted shares at cost	**80**	

During the year, the company acquired 49% of Pharmafrique (Proprietary) Limited for R80 million.

Notes to the company annual financial statements continued

for the year ended 30 June 2021

		2021 Rm	2020 Rm
4	**DEFERRED TAX ASSET**		
	Movement in deferred tax		
	Current year (loss) benefit recognised in equity	**(11)**	8
	Analysis of deferred tax		
	Deferred tax on interest-rate swaps	**5**	16
5	**SHARE CAPITAL AND SHARE PREMIUM**		
	Authorised share capital		
	394 999 000 (2020: 394 999 000) ordinary shares of 4 cents each	**15**	15
	50 000 000 (2020: 50 000 000) deferred ordinary shares of 4 cents each	**2**	2
	15 000 000 (2020: 15 000 000) preferred ordinary shares of 4 cents each	**1**	1
	1 000 (2020: 1 000) redeemable preference shares of 4 cents each		
	40 000 000 (2020: 40 000 000) non-redeemable, non-participating preference shares of 4 cents each	**2**	2
		20	20
	Issued and fully paid share capital		
	202 905 857 (2020: 202 074 388) ordinary shares of 4 cents each	**8**	8
	5 204 953 (2020: 6 036 422) deferred ordinary shares of 4 cents each	**1**	1
	Share capital	**9**	9
	Share premium	**1 021**	1 021
	Share capital and premium	**1 030**	1 030

Directors' authority to issue ordinary shares and non-redeemable, non-participating preference shares
The directors have been given general authority until the next annual general meeting to issue:
- Not more than 5% of the issued ordinary share capital at 30 June 2020.
- Not more than 5 million of the non-redeemable, non-participating preference shares.

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

Deferred ordinary shares
The deferred ordinary shares were issued to Ukhamba, the group's B-BBEE partner. The shares convert into ordinary shares annually at a fixed rate of 831 469 shares. At 30 June 2021, 17 550 436 (2020: 16 718 967) deferred ordinary shares have been converted into the same amount of ordinary shares. These shares carry one vote per share and are not entitled to dividends.

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

	Current year interest rates %	2021 Rm	2020 Rm
6 INTEREST-BEARING BORROWINGS			
Interest rate analysis by type of debt instrument			
– Syndicated bank term loans	**4,90 – 5,46**	**1 000**	1 000
– Unsecured loans	**4,00 – 4,25**	**97**	130
– Call borrowings	**4,45 – 5,40**	**1 590**	1 185
– Long-term revolving credit facility	**5,15 – 5,15**		351
– Bank overdrafts	**7,00 – 7,00**	**104**	134
		2 791	2 800

The company's debt is denominated in South African Rand. R1 000 million of the debt is expected to mature within three to five years, with the balance maturing within one year from the end of this financial year-end.

	2021 Rm	2020 Rm
7 TRADE PAYABLES AND OTHER LIABILITIES		
Trade payables, accruals and indemnity provisions	**6**	22
The fair value of the trade payables and accruals approximate their carrying value.		
8 OTHER FINANCIAL LIABILITIES		
Interest-rate swap instruments (level 2 in the fair value hierarchy)	**19**	59
The interest-rate swaps were taken out to hedge the variable interest rate on the syndicated loans based on a notional value of R1 000 million. The variable interest rate on these loans which range between 4,90% and 5,46% per annum are swapped for a fixed interest rate of 9,19% per annum.		
9 REVENUE		
An analysis of the company's revenue is as follows:		
Dividends from subsidiaries, associates and joint ventures	**2**	1 021
	2	1 021
10 NET OPERATING EXPENSES		
The following disclosable items have been included in operating expenses:		
Administration fee paid to related party for services rendered	**(5)**	(5)
Auditors' remuneration		(4)
Non-executive directors' emoluments*	**(12)**	(9)
Donations		(2)
Professional fees	**(6)**	(3)
Other		6
	(23)	(17)

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

Notes to the company annual financial statements continued

for the year ended 30 June 2021

		2021 Rm	2020 Rm
11	**REMEASUREMENT OF FINANCIAL LIABILITIES AND CAPITAL ITEMS**		
	Net gain on sale of subsidiaries and associates and write-off to investments in and loans to subsidiaries	**350**	11
	Net reversal of impairment of investments in and loans to subsidiaries and share buy-backs*	**22**	105
	Reclassification from hedging reserve		1
	Other income	**23**	9
	Write-off of other financial assets		(6)
		395	120

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

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

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

		2021 Rm	2020 Rm
12	**INCOME TAX**		
	South African normal tax		
	– Current year charge	**(1)**	
	– Prior year underprovision		(1)
		(1)	(1)
		%	%
	Reconciliation of tax rate:		
	Profit before tax – effective tax rate	**0,3**	0,1
	Tax effect of:		
	– Profit on sale of subsidiaries and businesses, impairments and capital reductions	**27,4**	2,9
	– Write-off of other investments		(0,1)
	– Disallowable charges	**(0,4)**	(0,4)
	– Exempt income	**0,7**	25,6
	– Prior year underprovision		(0,1)
		28,0	28,0
		Rm	Rm
13	**CASH GENERATED BY OPERATIONS**		
	Profit before net financing costs	**374**	1 124
	Non-operating items	**(8)**	49
	Dividend received in specie		(45)
	Working capital movements		
	– Decrease (increase) in trade and other receivables	**3**	(1)
	– (Decrease) increase in trade and other payables	**(16)**	2
		353	1 129

	2021 Rm	2020 Rm

14 CONTINGENT LIABILITIES

	2021 Rm	2020 Rm
The company has contingent liabilities in respect of guarantees issued to bankers and others, on behalf of subsidiaries, for facilities in the normal course of business to the extent that they are used. The year-end utilisation of facilities was	**2 021**	8 031
The company has contingent liabilities in respect of guarantees issued to suppliers on behalf of subsidiaries, for facilities in the normal course of business to the extent that they are used. The year-end utilisation of facilities was	**44**	40

15 FINANCIAL INSTRUMENTS

Fair value

The carrying amounts of financial instruments (except contingent consideration liabilities) approximate fair value.

Interest rate risk

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

The company is exposed to interest rate risk as it borrows at floating rates and places funds at both floating and fixed rates. The risk is managed by matching fixed and floating rate assets and liabilities wherever possible and achieving a repricing profile in line with the group's Alco directives. Use is made of interest rate derivatives. The company analyses the impact on profit or loss of defined interest rate shifts – taking into consideration refinancing, renewal of existing positions, alternative financing and hedging.

The group's treasury follows a centralised cash management process including cash management systems across bank accounts in South Africa to minimise risk and interest costs.

The impact of a 50 basis points increase in interest rates will have an annualised R3 million (2020: R5 million) effect on the company's pre-tax profit. The 50 basis points increase or decrease represents management's assessment of the reasonably possible changes in interest risk.

Credit risk

Cash resources

The company deposits short-term cash with reputable financial institutions with investment-grade credit ratings assigned by international or recognised credit-rating agencies or counterparties authorised by the investment committee.

Liquidity risk

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

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

The company manages liquidity risk by monitoring forecast cash flows in compliance with loan covenants and ensuring that adequate unutilised committed borrowing facilities are maintained. Unutilised borrowing facilities amounted to R4 747 million at 30 June 2021.

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

Maturity profile of financial instruments

	Carrying amount Rm	Contractual cash flows Rm	Less than one year Rm	One to five years Rm	More than five years Rm
Financial assets					
Indebtedness by subsidiaries	**3 686**	**3 686**	**3 686**		
Financial liabilities					
Interest-bearing borrowings	**2 791**	**2 961**	**1 865**	**1 096**	
Other financial liabilities	**19**	**19**	**19**		
Trade payables and accruals	**6**	**6**	**6**		
2021	**2 816**	**2 986**	**1 890**	**1 096**	
2020	2 881	3 243	2 003	1 227	13

16 EVENTS AFTER THE REPORTING PERIOD

Refer to note 38 in the consolidated annual financial statements for details on events after the reporting period.

17 GOING CONCERN

The company's annual financial statements are prepared on the going concern basis. Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for the foreseeable future. For more detail refer to note 40 of the consolidated annual financial statements.

Annexure A – List of top 10 shareholders and distribution of shareholders

SHAREHOLDERS

The top 10 shareholders based on the number of voting shares held of the company at 30 June 2021 were as follows:

Shareholders	Share class	Number of shares 000	% of issued voting capital net of treasury shares
Public Investment Corporation	**Ordinary**	**22 641**	**11,5**
M&G Investments (London)	**Ordinary**	**20 666**	**10,5**
PSG Asset Management	**Ordinary**	**18 796**	**9,5**
Ukhamba Holdings (Proprietary) Limited	**Ordinary**	**17 550**	**8,9**
Ukhamba Holdings (Proprietary) Limited	**Deferred ordinary**	**5 205**	**2,6**
Abax Investments	**Ordinary**	**14 517**	**7,4**
Capital Research Global Investors (Los Angeles)	**Ordinary**	**9 029**	**4,6**
Lynch Family Holding	**Ordinary**	**7 319**	**3,7**
Vanguard Group (Philadelphia)	**Ordinary**	**6 488**	**3,3**
De Canha Family Holding	**Ordinary**	**6 404**	**3,2**

Distribution of shareholders (listed ordinary shares)	Number of shareholders	Number of shares 000	% of issued capital
Public shareholders	**5 602**	**144 432**	**71,2**
Non-public shareholders			
– Shareholder holding more than 10%	**2**	**47 171**	**23,2**
– Directors, their associates and employees	**4**	**354**	**0,2**
– Treasury shares	**3**	**10 949**	**5,4**
	5 611	**202 906**	**100,0**

Glossary of terms

Asset intensity	• PPE, transport fleet, right-of-use assets and working capital as a percentage of revenue.
Earnings yield (%)	• the headline earnings per share divided by the closing price of a share.
EBITDA	• profit from operations before depreciation and recoupments.
EBITDA used for bank covenants	• earnings pre-IFRS 16 leases after non-controlling interests before interest, taxes and depreciation.
Continuing free cash conversion	• calculated by dividing continuing EBITDA less continuing capital expenditure by continuing EBITDA.
Free cash flow	• calculated by deducting replacement capital expenditure and lease payments from the cash flow from operating activities.
Free cash flow from continuing operations to headline earnings from continuing operations ratio	• free cash flow from continuing operations divided by headline earnings from continuing operations.
Free cash flow per share	• calculated by dividing free cash flow by the weighted average number of shares used in the basic earnings per share calculation.
Margin above WACC %	• is the difference between ROIC and WACC.
Net asset value per share	• equity attributable to owners of Imperial divided by total ordinary shares in issue net of shares repurchased (the deferred ordinary shares only participate to the extent of their par value of 0,04 cents).
Net debt	• is interest-bearing borrowings, less cash resources.
Net debt to EBITDA used for bank covenants	• net bank debt divided by EBITDA used for bank covenants.
Net debt:equity %	• net debt as a percentage of equity.
Net debt:equity % (including lease obligations)	• net debt including lease obligations as a percentage of equity.
Net capital expenditure	• is the aggregate of the expansion and replacement capital expenditure net of proceeds on sale.
Net working capital	• is inventories plus trade, other receivables and contract assets less trade and other payables and provisions.
Net income tax (liabilities) assets	• current tax assets less current tax liabilities plus deferred tax assets less deferred tax liabilities.
Operating assets	• total assets less loans receivable, tax assets and assets of disposal group.
Operating liabilities	• total liabilities less interest-bearing borrowings, tax liabilities and put option liabilities.
Operating margin (%)	• operating profit as a percentage of revenue.
Operating profit before items listed below (Operating profit)	• Operating profit before items listed below includes profit from business operations (gross profit minus operating expenses and depreciation). Operating profit does not include impairment and recoupment of properties as well as amortisation and impairment of intangible assets arising on business combinations.
Operating profit to average net operating assets (%)	• operating profit divided by average net operating assets.
Pre-tax profit	• calculated as profit before tax, impairment of goodwill and profit or loss on sale of investment in subsidiaries, associates and joint ventures and other businesses.
Price earnings ratio (times)	• the closing price of a share divided by the headline earnings per share.
Pro forma information	• pro forma financial information is the result of adjusting IFRS information about the group at a specific date or for a particular period.
Return on invested capital (ROIC) (%)	• this is the return divided by invested capital. • return is calculated by reducing the operating profit by a blended tax rate, which is an average of the actual tax rates applicable in the various jurisdictions in which Imperial operates, increased by the share of results of associates and joint ventures. • invested capital is a 12-month average of total equity plus interest-bearing borrowings and lease obligations less cash resources.

Glossary of terms continued

Return on average ordinary shareholders' interest (%)	• net profit attributable to owners of Imperial divided by average shareholders' equity (calculated by using the opening and closing balances) attributable to Imperial shareholders.
Revenue relating to sale of goods to average inventory (times)	• revenue relating to sale of goods divided by average inventory.
Revenue to average net operating assets (times)	• revenue divided by average net operating assets.
Total taxes and levies paid	• made up of South African normal tax, dividends tax, foreign tax, rates and taxes, skills development and unemployment insurance fund levies.
Total market capitalisation at closing prices (Rm)	• total ordinary shares in issue before treasury shares multiplied by the closing price per share.
Weighted average cost of capital (WACC) (%)	• calculated by multiplying the cost of each capital component by its proportional weight, therefore: WACC = (after tax cost of debt % multiplied by average debt weighting) + (cost of equity multiplied by average equity weighting). The cost of equity is blended recognising the cost of equity in the different jurisdictions in which Imperial operates.

Corporate information

Imperial Logistics Limited

Registration number: 1946/021048/06
Ordinary share code: IPL
ISIN: ZAE000067211

Directors

P Langeni# (chairman), M Akoojee (group chief executive officer), H Adesola##*, J Anammah##*, GW Dempster (lead independent non-executive director), P Cooper##, RJA Sparks##, NB Duker##, D Reich##**, JG de Beer (group chief financial officer)

Non-executive
Independent non-executive
* *Nigerian*
** *Swiss*

Acting group company secretary

J Ravjee (Appointed November 2020)

Executive vice-president: corporate affairs and investor relations

E Mansingh

Business address and registered office

Imperial Logistics Limited
Jeppe Quondam
79 Boeing Road East
Bedfordview, 2007

Share transfer secretaries

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1st Floor, Rosebank Towers
15 Biermann Avenue, Rosebank, 2196

Auditor

Deloitte & Touche
5 Magwa Crescent
Midrand
South Africa
2090

Sponsor

Rand Merchant Bank (a division of FirstRand Limited)
No 5 Merchant Place
Corner Rivonia Road and 9 Fredman Drive
Sandown, Sandton
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