Imperial Logistics Limited
audited annual financial statements
for the year ended 30 June 2019

Imperial™
logistics

Contents

Directors' responsibility for the consolidated and separate annual financial statements

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the consolidated and separate annual financial statements and related information. The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board in issue and effective for the group at 30 June 2019 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Council and the requirements of the South African Companies Act, 2008.

The group's independent external auditors, Deloitte & Touche, have audited the consolidated and separate annual financial statements and their unmodified report appears on page 2.

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

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

The audited annual financial statements set out on pages 16 to 96 which are available on the group's website at **www.imperiallogistics.co.za** were approved by the board of directors on 27 August 2019 and are signed on their behalf by:

P Langeni Chairman	**M Akoojee** Chief Executive Officer	**JG de Beer** Chief Financial Officer

Certificate by company secretary

In my capacity as company secretary, I hereby confirm that, for the year ended 30 June 2019, 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, No 71 of 2008, as amended and that all such returns are true, correct and up to date.

RA Venter
Company secretary

27 August 2019

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, 2008.

WS Buckton
General Manager Group Finance

27 August 2019

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) set out on pages 16 to 96, which comprise the statements of financial position as at 30 June 2019, and the statements of profit or loss, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 30 June 2019, 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 (IFRSs) 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 in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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.

Key audit matter	How our audit addressed the key audit matter
Valuation of goodwill and indeterminate useful life intangible assets	
As a consequence of the acquisitive nature of the group, goodwill and indeterminate useful life intangible assets of R5,2 billion (2018: R6,5 billion) have been recognised. These assets comprise 17% of the total assets of the group. Due to lost contracts in the business and subdued economic growth, impairment losses amounting to R1,4 billion (2018: R92 million) were recognised against these assets. The remaining goodwill and indeterminate useful life intangible assets represent 78% (2018: 76%) of the group's total intangible assets and 17% (2018: 9%) of the group's total assets. Goodwill and indeterminate useful life intangible assets have been recognised in the consolidated statement of financial position. 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 5, 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). • Operating margins. • 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 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 5 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. • Critically evaluating whether the model, including its mechanics and logic, used by the directors, to calculate the values in use of the individual cash-generating units, complies with the requirements of IAS 36 – Impairment of Assets (IAS 36). • Engaging our internal corporate finance experts 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, operating margins and terminal growth rates, used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the cash-generating units. • 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 and operating margins, against historical performance to test the accuracy 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 cash-generating units 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 5 of the consolidated financial statements, to be appropriate.

Key audit matter	How our audit addressed the key audit matter
Valuation, presentation and disclosure of the Consumer Packaged Goods business	
Due to the increasingly competitive and challenging economic conditions in South Africa, management took a decision to close down Imperial's Consumer Packaged Goods (CPG) business. This business represents 6% of the group's total assets, 12% of the group's total liabilities and 5% of the group's total revenue. As required by IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations (IFRS 5) the directors have classified the assets and liabilities of CPG, that will be recovered principally through a sale transaction rather than through continuing use, as current assets held for sale in the statement of financial position. The results of the CPG business are presented in the consolidated statement of profit or loss as discontinued operations. As disclosed in note 13, an impairment on the CPG assets and provisions for closure costs amounting to R1,4 billion have been recognised in the current year in accordance with IFRS 5. The following are key factors that impacted the valuation, presentation and disclosure of the CPG disposal group: • Classification of assets and liabilities as held for sale in terms of IFRS 5. • Inputs and assumptions used in the valuation of non-current assets and current assets at the lower of carrying amount and fair value less cost to sell. • Valuation of the costs and provisions associated with the business closure and the classification of the expected costs between provisions and contingent liabilities in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (IAS 37). • The valuation of onerous contracts for the CPG business. We identified the estimation and valuation of the impairments and the provisions, the presentation of the results as discontinued operations and the related disclosures as a key audit matter as a result of the judgements required to be applied by the directors. Further disclosure has been provided in note 13 of the consolidated financial statements.	Our audit procedures to address this key audit matter included: • Testing the design and implementation of relevant controls over the directors' process followed. • Evaluating whether the CPG business meets the criteria to be presented as a "disposal group held for sale" and a "discontinued operation" as per IFRS 5. • Analysing the composition of the disposal group to evaluate whether all assets and liabilities that will not be realised principally through sale have been excluded from the disposal group. • Assessing the reasonableness of the inputs and judgements applied in determining the expected realisable value of the respective disposal group assets. • Assessing the reasonableness of the inputs and judgements applied in determining the provision for closure costs. • Assessing the reasonableness of the inputs and judgements applied in determining the onerous lease provision. • Considered the adequacy of the group's disclosures on this matter. We found the key assumptions used by the directors to be supportable. We found the presentation and disclosures in respect of the disposal group, the discontinued operations and the related provisions as disclosed in note 4 and note 13 of the consolidated annual financial statements to be consistent with IFRS 5 and IAS 37.

Other information

The directors are responsible for the other information. The other information comprises the directors' report, the report of the audit committee and the certificate by company secretary, as required by the Companies Act of South Africa, which we obtained prior to the date of this auditors' report and the integrated annual report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's 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 and separate 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 18 years.

Deloitte & Touche

Deloitte & Touche
MLE Tshabalala
Partner
Registered Auditor
27 August 2019

Deloitte & Touche
The Woodlands
20 Woodlands Drive
Woodmead, Sandton
2146

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, No 71 of 2008 (the Act) and incorporating the recommendations of the King Code of Corporate Governance™* (King IV).

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

The committee has performed all the duties required in section 94(7) of the Companies Act, 71 of 2008, and paragraph 3.84(g) of the JSE Listings Requirements.

Members of the audit committee and attendance at meetings

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

All members act independently as described in the Act. The members of the committee for the year ended 30 June 2019 comprised Mr GW Dempster (chairman), Mr RJA Sparks, Ms T Skweyiya and Mr P Cooper (the committee), all of whom are independent non-executive directors of the company.

Prior to the unbundling, P Langeni was a member of the audit committee and resigned from the audit committee upon being appointed non-executive group chairman.

The members are being recommended by the board for appointment for the financial year ending 30 June 2020, and their appointments are being submitted to shareholders for approval at the next annual general meeting (AGM) on 30 October 2019. The abridged curricula vitae of the members are included in the integrated annual report, which is available on the group's website at **www.imperiallogistics.co.za**.

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

Member	Meetings attended during the year
GW Dempster (chairman)	5
RJA Sparks	5
T Skweyiya	5
P Cooper†	2/2
P Langeni#	3/3

† Member from 1 January 2019
# Resigned November 2018

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

Role of the audit committee

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

The committee:
- Fulfils the duties that are assigned to it by the Act and as governed by other legislative requirements, including the statutory audit committee functions required for subsidiary companies.
- Assists the board in overseeing the quality and integrity of the group's integrated reporting process, including the financial statements, sustainability reporting and announcements in respect of the financial results.
- Ensures that an effective control environment in the group is maintained.
- Provides the Chief Financial Officer, external auditors and the head of internal audit with unrestricted access to the committee and its chairman as is required in relation to any matter falling within the ambit of the committee.
- Meets with the external auditors, senior managers and executive directors as the committee may elect.
- Meets confidentially with the internal and external auditors without other executive board members and the company's Chief Financial Officer being present.
- Reviews and recommends to the board the preliminary and interim financial results, and the integrated annual report and annual financial statements.
- Oversees the activities of, and ensures coordination between, the internal and external auditors.
- Fulfils the duties that are assigned to it by the Act and as governed by other legislative requirements, including the statutory audit committee functions required for subsidiary companies.
- Receives and deals with any complaints concerning accounting practices, internal audit or the content and audit of its financial statements or related matters.
- Conducts annual reviews of the audit committee's work and terms of reference.
- Assesses the performance and effectiveness of the audit committee and its members on a regular basis.

Finance risk review committees (FRRC)

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

Execution of functions during the year

The committee is satisfied that, for the 2019 financial year, it has performed all the functions required to be performed by an audit committee as set out in the Companies Act and the committee's terms of reference.

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

External audit

The committee among other matters:

- Nominated Deloitte & Touche and Mr MLE Tshabalala as the external auditor and designated auditor respectively to shareholders for appointment as auditor for the financial year ended 30 June 2019, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor.
- Nominated the external auditor for each material subsidiary company for reappointment.
- Reviewed the audit effectiveness and evaluated the external auditor's internal quality control procedures.
- Obtained an annual confirmation from the auditor that their independence was not impaired.
- Maintained a policy setting out the categories of non-audit services that the external auditor may and may not provide, split between permitted, permissible and prohibited services.
- Approved non-audit services with Deloitte & Touche in accordance with the committee's policy.
- Approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor.
- Obtained assurances from the external auditor that adequate accounting records were being maintained by the company and its material subsidiaries.
- Considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, No 26 of 2005.
- Considered any reported control weaknesses, management's response for their improvement and assessed their impact on the general control environment.
- Considered the tenure of the external auditor and found it to be appropriate.
- Noted the requirement relating to mandatory audit firm rotation and that this will be implemented at the appropriate time.

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

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

Internal audit

The audit committee:

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

The head of internal audit reports functionally to the chair of the committee and administratively to the Chief Financial Officer.

Adequacy and functioning of the group's internal controls

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

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

Financial reporting

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

The committee among other matters:

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

Proactive monitoring

The audit committee hereby confirms that it has considered the findings contained in the Johannesburg Stock Exchange Limited's (JSE) proactive monitoring reports when preparing the annual financial statements for the year ended 30 June 2019.

Key audit matters

The audit committee has considered the key audit matters as outlined in the external auditor's report on page 2. These matters have been covered in the significant areas of judgement below.

Significant areas of judgement

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

- Inventories.
- Trade receivables.
- Land, buildings and leasehold improvements.
- Goodwill and intangible assets.
- Tax.
- Put option liabilities.
- Unbundling of Motus.
- Consumer packaged goods discontinued operations.
- Valuation of subsidiaries sold within the group.

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

Inventories

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

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

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

Trade receivables

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

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

Land, buildings and leasehold improvements

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

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

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

The FRRCs and the audit committee considered the carrying values to be fairly stated. Refer to notes 6 and 25 in the consolidated annual financial statements.

Goodwill and intangible assets

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

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

The customer lists and networks are amortised.

FRRCs and the audit committee agreed with the impairment of the goodwill and intangible assets where required and that the carrying value of the goodwill and intangible assets are fairly stated. Refer to notes 5, 13 and 26 in the consolidated annual financial statements for further details.

Tax

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

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

The audit committee considers the probability of the recovery of significant deferred tax assets, based on forecasts prepared by management.

No significant new tax issues arose during the current year.

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

Put option liabilities

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

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

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

Unbundling of Motus

The unbundling of Motus was concluded on 22 November 2018 after being treated as a discontinued operation from June 2018. As a result the statement of profit and loss was split between continuing and discontinued operations for the financial years 30 June 2018 and 30 June 2019. On the statement of financial position at 30 June 2018, Motus's assets were included under "Assets held for distribution to owners of Imperial" and its liabilities under "Liabilities associated with assets held for distribution to owners of Imperial".

Refer to note 4 for the presentation of Motus as a discontinued operation and note 13 for the results of the discontinued operation.

Discontinuation of Consumer Products Goods

At the board of directors' meeting on 31 May 2019 it was agreed to exit the Consumer Packaged Goods operations. This has resulted in the CPG operations being presented and disclosed as discontinued for the year ended 30 June 2019. The 2018 consolidated statement of profit or loss has been re-presented accordingly by showing the result of CPG separate from the results of the continuing operations.

Refer to note 4 for the presentation of CPG as a discontinued operation and note 13 for the results of the discontinued operation.

Valuation of subsidiaries sold within the group

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

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

Re-presentation of 2018

The Consumer Packaged Goods operations have been classified as discontinued operations with effect from 30 June 2019 following the decision by the board of directors to exit the business. This required the re-presentation of the 2018 consolidated statement of profit or loss.

Quality of earnings

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

Risk management and information technology (IT) governance

The committee:

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

Legal and regulatory requirements

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

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

Expertise and experience of Chief Financial Officer and the finance function

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

Subsidiary companies

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

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

Integrated annual report

Following the review by the committee of the consolidated and separate annual financial statements of Imperial Logistics Limited for the year ended 30 June 2019, the committee is of the view that in all material respects they comply with the relevant provisions of the Act and International Financial Reporting Standards and fairly present the consolidated and separate financial positions at that date and the results of operations and cash flows for the year then ended.

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

Having achieved its objectives, the committee has recommended the consolidated and separate annual financial statements and the integrated annual report for the year ended 30 June 2019 for approval to the board. The board has subsequently approved the reports, which will be open for discussion at the forthcoming annual general meeting.

GW Dempster
Chairman

27 August 2019

Name change

The company changed its name from Imperial Holdings Limited to Imperial Logistics Limited during the year. The company's registration number and tax number remained the same.

Nature of business

Imperial Logistics is mainly an African and Eurozone logistics provider of outsourced, integrated freight management, contract logistics and distributorship – customised to ensure the relevance and competitiveness of our clients. The group is listed on the Johannesburg Stock Exchange in South Africa and employs approximately 27 000 people who generate annual revenues in excess of R52 billion (including discontinued operations) in 32 countries.

Financial performance

During the year the group unbundled its interest in Motus by way of a dividend in specie of R17 058 million and made the decision to exit the Consumer Packaged Goods business. The net attributable loss from continuing operations was R51 million (2018: R1 011 million profit).

Net attributable profit for the year amounted to R3 441 million (2018: R3 273 million). Basic earnings per share for the year was 1 775 cents (2018: 1 681 cents).

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

Share capital

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

The number of shares in issue at 30 June 2019 was as follows:

	Company	Shares repurchased	Net
Ordinary shares			
The movement in ordinary shares were as follows:			
Ordinary shares at beginning of year	201 971 450	(3 185 335)	198 786 115
Conversion of deferred ordinary shares to ordinary shares	831 469		831 469
Ordinary shares acquired to hedge share schemes		(4 085 044)	(4 085 044)
Ordinary shares delivered to settle share schemes		796 044	796 044
Cancellation of ordinary shares	(1 560 000)	1 560 000	
Ordinary shares at end of year	201 242 919	(4 914 335)	196 328 584
Deferred ordinary shares			
The movement in deferred ordinary shares were as follows:			
Deferred ordinary shares at beginning of year	7 699 360		7 699 360
Conversion of deferred ordinary shares to ordinary shares	(831 469)		(831 469)
Deferred ordinary shares at end of year	6 867 891		6 867 891
Total ordinary and deferred ordinary shares in issue	208 110 810	(4 914 335)	203 196 475
Non-redeemable, non-participating preference shares			
Shares at beginning of year	4 540 041		4 540 041
Shares redeemed during year	(4 540 041)		(4 540 041)
Shares at end of year			

The preference shares were redeemed on 15 October 2018.

Directors and secretary

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

In accordance with the memorandum of incorporation, GW Dempster and RJA Sparks retire by rotation at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

SP Kana, A Tugendhaft, MV Moosa and OS Arbee resigned from the board on 22 November 2018.

M Swanepoel retired from the board on 30 June 2019.

JG de Beer was appointed to the board with effect from 22 November 2018.

The aggregate interest of the directors in the issued ordinary share capital of the company is disclosed in note 38 to the consolidated annual financial statements.

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

Imperial Logistics share appreciation rights, deferred bonus and conditional share plan schemes

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

Dividends

Details of the dividends declared are set out in note 31 to the consolidated annual financial statements.

Subsidiaries

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

Material subsidiaries acquired by the group

There were no material acquisitions during the year.

Material subsidiaries deconsolidated during the year

The group unbundled its interest in Motus Holdings Limited (Motus) on 22 November 2018.

Principal subsidiaries of Motus Holdings Limited at 22 November 2018 were:

• Motus Corporation Limited	100%
• Motus Group Limited	100%
• Motus Capital Limited	100%
• Hyundai Auto South Africa (Pty) Limited	100%
• Imperial Car Imports (Pty) Limited	100%
• Kia Motors SA (Pty) Limited	100%

Restatement of 2018

The Consumer Packaged Goods operations have been classified as discontinued operations with effect from 30 June 2019 following the decision by the board of directors to exit the business. This required the re-presentation of the 2018 consolidated statement of profit or loss.

Special resolutions

The company passed the following special resolutions at its annual general meeting held on 30 October 2018:

- Granting to the directors of the company general authority for the acquisition by the company or any subsidiary, of ordinary shares in the company.
- Granting to the directors of the company specific authority to provide financial assistance to related and inter-related parties as contemplated in sections 44 and 45 of the Companies Act, 2008 (the Act).
- Approving the directors' fees payable from 1 July 2018 to 30 June 2019 and from 1 July 2019 to 30 June 2020.
- Approving the unbundling in terms of section 112 of the Companies Act.
- Approval of the change of name of the company (and consequent amendments to the MOI of the company).

Subsidiaries of the company passed special resolutions, the nature of which might be significant to members in their appreciation of the state of affairs of the group, as follows:

- Granting to the directors of the companies specific authority to provide financial assistance to related and inter-related parties as contemplated in section 45 of the Act.
- Granting to the companies authority to make distributions as contemplated in section 46 of the Act.
- Approving directors' fees.
- Adopting new memoranda of incorporation.

Events after the reporting period

Shareholders are advised that an ordinary dividend has been declared by the board of Imperial on 27 August 2019. For more detail please refer to note 31 to the consolidated annual financial statements.

Accounting policies and new and revised International Financial Reporting Standards

These are outlined in notes 1 and 2 to the consolidated annual financial statements.

	Notes	2019 Rm	2018~ Rm
Assets			
Goodwill and intangible assets	5	6 719	8 575
Investment in associates and joint ventures	36.3	520	752
Property, plant and equipment	6	2 647	3 042
Transport fleet	7	5 452	5 358
Deferred tax assets	8	1 068	783
Investments and other financial assets	9	183	206
Inventories	10	2 349	2 194
Tax in advance		259	364
Contract assets~	23.7	875	872
Trade and other receivables~	11	9 251	8 902
Cash resources	12	1 646	2 818
Assets held for distribution to owners of Imperial			36 637
Assets of disposal group	13	296	
Total assets		31 265	70 503
Equity and liabilities			
Capital and reserves			
Share capital and share premium	14	1 030	1 030
Shares repurchased	15	(586)	(560)
Other reserves	16	833	271
Retained earnings		6 966	22 050
Attributable to owners of Imperial		8 243	22 791
Put arrangement over non-controlling interest		(527)	(566)
Non-controlling interest		931	900
Total equity		8 647	23 125
Liabilities			
Non-redeemable non-participating preference shares	17		441
Retirement benefit obligations	18	1 343	1 216
Interest-bearing borrowings	19	6 592	6 626
Deferred tax liabilities	8	809	1 137
Other financial liabilities	20	1 075	1 209
Provisions for liabilities and other charges	21	1 660	521
Trade and other payables	22	10 068	9 566
Current tax liabilities		251	236
Current portion of interest-bearing borrowings	19	820	1 472
Liabilities associated with assets held for distribution to owners of Imperial			24 954
Total liabilities		22 618	47 378
Total equity and liabilities		31 265	70 503

~ Restated by presenting contract assets separate from trade and other receivables as required by IFRS 15 – Revenue from contracts with customers.
^ Please refer to note 4.

Consolidated statement of profit or loss^ for the year ended 30 June 2019

	Notes	2019 Rm	2018~ Rm
Continuing operations			
Revenue	23.1	49 720	48 565
Net operating expenses	24	(46 164)	(44 682)
Profit from operations before depreciation and recoupments		3 556	3 883
Depreciation, amortisation, impairments and recoupments	25.1	(1 055)	(1 015)
Operating profit		2 501	2 868
Recoupments from sale of properties, net of impairments	25.2	(6)	22
Amortisation of intangible assets arising on business combinations		(400)	(415)
Foreign exchange losses		(53)	(50)
Other non-operating items	26	(1 112)	(113)
Profit before net finance costs		930	2 312
Finance cost	27	(541)	(674)
Finance income	27	126	105
Profit before share of results of associates and joint ventures		515	1 743
Share of results of associates and joint ventures		46	56
Profit before tax		561	1 799
Income tax expense	28	(471)	(620)
Profit for the year from continuing operations		90	1 179
Discontinued operations		3 493	2 229
Net loss for the year from Consumer Packaged Goods (CPG)	13	(1 899)	(83)
Net profit for the year from Motus Holdings Limited (Motus)	13	5 392	2 312
Net profit for the year		3 583	3 408
Net profit (loss) attributable to:			
Owners of Imperial		3 441	3 273
• Continuing operations		(51)	1 011
• Discontinued operations		3 492	2 262
Non-controlling interest		142	135
• Continuing operations		141	168
• Discontinued operations (Motus)		1	(33)
(Loss) earnings per share (cents)	29		
Continuing operations			
• Basic		(26)	519
• Diluted		(26)	505
Discontinued operations			
• Basic		1 801	1 162
• Diluted		1 801	1 129
Total operations			
• Basic		1 775	1 681
• Diluted		1 775	1 634

~ Restated for the Consumer Packaged Goods discontinued operations in terms of IFRS 5 – Non-current assets held for sale and discontinued operations.
^ Please refer to note 4.

	2019 Rm	2018 Rm
Net profit for the year	3 583	3 408
Other comprehensive income	307	655
Items that may be reclassified subsequently to profit or loss	382	722
Exchange gains arising on translation of foreign operations	211	538
Movement in hedge accounting reserve	171	184
• Effective portion of changes in fair value of cash flow hedges	(131)	272
• Amount removed from hedge accounting reserve on matured contracts	266	29
• Income tax relating to hedge accounting reserve movements	36	(117)
Items that will not be reclassified subsequently to profit or loss	(75)	(67)
Remeasurement of defined benefit obligations	(127)	(75)
Income tax on remeasurement of defined benefit obligations	52	8
Total comprehensive income for the year	3 890	4 063
Total comprehensive income attributable to:		
Owners of Imperial	3 738	3 899
Non-controlling interest	152	164
	3 890	4 063

^ Please refer to note 4.

Consolidated statement of cash flows^ for the year ended 30 June 2019

	Notes	2019 Rm	2018 Rm
Cash flows from operating activities			
Cash receipt from customers		50 443	127 688
Cash paid to suppliers and employees		(47 106)	(118 156)
Cash generated by operations before interest and taxes paid	30.1	3 337	9 532
Finance cost paid		(945)	(1 525)
Finance income received		124	139
Tax paid		(622)	(1 336)
Cash generated by operations before capital expenditure on rental assets		1 894	6 810
Net capital expenditure – rental assets (Motus)		(1 172)	(1 079)
		722	5 731
Cash flows from investing activities			
Acquisition of subsidiaries and businesses	30.2	(104)	(1 211)
Disposal of subsidiaries and businesses	30.3	12	2 070
Expansion capital – excluding rental assets		(536)	1 248
Net replacement capital expenditure - excluding rental assets	30.4	(737)	(1 008)
Proceeds from the sale of the Gruber associate		226	
Net movement in other associates and joint ventures		53	
Net movement in investments, loans and non-current financial instruments		(152)	(209)
		(1 238)	890
Cash flows from financing activities			
Hedge cost premium paid		(161)	(362)
Net movement on interest rate and cross-currency swaps		(13)	(152)
Settlement of non-redeemable, non-participating preference shares		(378)	
Repurchase of ordinary shares		(262)	(113)
Dividends paid		(1 227)	(1 478)
Cash resources distributed as part of dividend in specie		(1 058)	
Change in non-controlling interests		(142)	(684)
Capital raised from non-controlling interests		200	223
Net increase (decrease) in other interest-bearing borrowings	30.5	828	(4 382)
		(2 213)	(6 948)
Net decrease in cash resources		(2 729)	(327)
Effects of exchange rate changes on cash resources in a foreign currency		74	129
Cash resources at beginning of year		4 301	4 499
Cash resources at end of year	30.6	1 646	4 301

^ Please refer to note 4.

	Share capital and premium Rm	Shares repurchased Rm	Share-based payment reserve Rm	Hedge accounting reserve Rm	Statutory reserve Rm
At 30 June 2017	1 030	(574)	(174)	7	25
Total comprehensive income for the year				193	
Share-based cost charged to profit or loss			219		
Share-based equity reserve transferred to retained earnings on vesting			135		
Shares delivered to settle share-based obligations		170	(170)		
Share-based equity reserve hedge cost			(32)		
Ordinary dividend of 330 cents per share paid in September 2017					
Ordinary dividend of 323 cents per share paid in March 2018					
Repurchase of 712 857 shares at an average cost of R219 per share		(156)			
Non-controlling interest acquired, net of disposals and shares issued					
Net decrease in non-controlling interest through buy-outs					
Realisation on disposal of subsidiaries					
Non-controlling interest share of dividends					
At 30 June 2018	1 030	(560)	(22)	200	25
Total comprehensive income for the year				171	
Share-based cost charged to profit or loss			181		
Share-based equity reserve transferred to retained earnings on vesting			40		
Shares delivered to settle share-based obligations		136	(136)		
Share-based equity reserve hedge cost			(137)		
Transfer of share-based payment reserve to a share-based payment liability			(12)		
Statutory reserve transferred to retained earnings					31
Ordinary dividend of 387 cents per share paid in September 2018					
Ordinary dividend of 135 cents per share paid in March 2019					
Ordinary dividend distribution in specie on unbundling of Motus~					
Repurchase of 4 085 044 shares at an average price of R64 plus transaction costs		(262)			
Cancellation of 1 560 000 shares		100			
Non-controlling interest acquired, net of disposals and shares issued					
Net decrease in non-controlling interest through buy-outs					
Realisation on disposal of subsidiaries			9	(411)	1
Non-controlling interest share of dividends					
At 30 June 2019	1 030	(586)	(77)	(40)	57

~ Net of 264 308 Motus shares valued at R22 million withheld in order to hedge part of the DBP share scheme granted prior to the unbundling of Motus.
^ Please refer to note 4.

Foreign currency reserve Rm	Premium paid on purchase of non-controlling interest Rm	Retained earnings Rm	Attributable to owners of Imperial Rm	Put arrangement over non-controlling interest Rm	Non-controlling interest Rm	Total equity Rm
950	(784)	20 262	20 742	(1 148)	667	20 261
500		3 206	3 899		164	4 063
			219			219
		(135)				
			(32)			(32)
		(649)	(649)			(649)
		(636)	(636)			(636)
			(156)			(156)
					350	350
	(596)		(596)	582	(88)	(102)
(2)		2				
					(193)	(193)
1 448	(1 380)	22 050	22 791	(566)	900	23 125
202		3 365	3 738		152	3 890
			181			181
		(40)				
			(137)			(137)
			(12)			(12)
		(31)				
		(767)	(767)			(767)
		(263)	(263)			(263)
		(17 036)	(17 036)			(17 036)
			(262)			(262)
		(100)				
					28	28
	10		10	39	48	97
301	312	(212)				
					(197)	(197)
1 951	(1 058)	6 966	8 243	(527)	931	8 647

	Imperial Logistics		Logistics South Africa		Logistics African Regions	
Profit or loss	2019 Rm	2018 Rm	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Revenue	49 720	48 565	13 374	13 376	12 105	10 461
• South Africa	13 075	13 266	13 374	13 376		
• Rest of Africa	12 105	11 033			12 105	10 461
• International	24 540	24 266				
Operating profit	2 501	2 868	950	987	787	726
• South Africa	939	963	950	987		
• Rest of Africa	787	777			787	726
• International	775	1 128				
Depreciation, amortisation, impairments and recoupments	(1 461)	(1 408)	(472)	(441)	(289)	(288)
• South Africa	(470)	(457)	(472)	(441)		
• Rest of Africa	(289)	(297)			(289)	(288)
• International	(702)	(654)				
Net finance cost	(415)	(569)	(177)	(196)	(156)	(223)
• South Africa	(90)	(125)	(177)	(196)		
• Rest of Africa	(156)	(232)			(156)	(223)
• International	(169)	(212)				
Pre-tax profits*	1 709	1 974	727	820	447	292
• South Africa	816	895	727	820		
• Rest of Africa	447	332			447	292
• International	446	747				
Additional segment information						
Analysis of revenue by type						
• Sale of goods	10 830	9 210	490	535	10 211	8 664
• Rendering of services	38 890	39 355	12 866	12 754	1 790	1 733
External revenue	49 720	48 565	13 356	13 289	12 001	10 397
Inter-group revenue			18	87	104	64
Revenue	49 720	48 565	13 374	13 376	12 105	10 461
Analysis of depreciation, amortisation, impairments and recoupments	(1 461)	(1 408)	(472)	(441)	(289)	(288)
Depreciation and amortisation	(1 083)	(1 054)	(459)	(468)	(88)	(80)
Recoupments and impairments	22	61	40	73	(23)	(22)
Amortisation of intangible assets arising from business combinations	(400)	(415)	(53)	(46)	(178)	(186)
Operating margin (%)	5,0	5,9	7,1	7,4	6,5	6,9
Goodwill impaired	1 139	26	148	26	427	
Share of results of associates (included in pre-tax profits)	46	56	6	7	21	14
Items excluded from pre-tax profits	(1 148)	(175)				
Impairment of goodwill	(1 139)	(26)				
Profit (loss) on disposal of subsidiaries, businesses and associates	64	(149)				
Impairment of associates and loans advanced to associates	(73)					

Refer to note 13 for disclosure on discontinued operations.

* Refer to glossary of terms on page 100.

Logistics International		Businesses held for sale		Head Office and Eliminations	
2019 Rm	2018 Rm	2019 Rm	2018 Rm	2019 Rm	2018 Rm
24 540	23 200		1 717	(299)	(189)
			79	(299)	(189)
			572		
24 540	23 200		1 066		
775	1 084		111	(11)	(40)
			2	(11)	(26)
			51		
775	1 084		58		(14)
(702)	(643)		(21)	2	(15)
			(1)	2	(15)
			(9)		
(702)	(643)		(11)		
(169)	(221)		(22)	87	93
				87	71
			(9)		
(169)	(221)		(13)		22
446	702		80	89	80
			2	89	73
			40		
446	702		38		7
124				5	11
24 405	23 186		1 665	(171)	17
24 529	23 186		1 665	(166)	28
11	14		52	(133)	(217)
24 540	23 200		1 717	(299)	(189)
(702)	(643)		(21)	2	(15)
(526)	(491)		(15)	(10)	
(7)	25			12	(15)
(169)	(177)		(6)		
3,2	4,7				
564					
19	29				6

Financial position	Imperial Logistics 2019 Rm	Imperial Logistics 2018 Rm	Logistics South Africa 2019 Rm	Logistics South Africa 2018 Rm	Logistics African Regions 2019 Rm	Logistics African Regions 2018 Rm
Assets						
Goodwill and intangible assets	6 719	8 575	213	860	2 077	2 601
Property, plant and equipment	2 647	3 042	934	1 333	348	387
Transport fleet	5 452	5 358	2 523	2 475	93	156
Investments in associates (excluding loans advanced to associates)	467	510	37	70	302	296
Investments	47	30	27	29		
Inventories	2 349	2 194	427	417	1 720	1 623
Trade, other receivables and contract assets	10 126	9 774	2 373	4 026	1 983	2 047
Operating assets~	27 807	29 483	6 534	9 210	6 523	7 110
• South Africa	8 358	8 996	6 534	9 210		
• Rest of Africa	6 523	7 110			6 523	7 110
• International	12 926	13 377				
Liabilities						
Retirement benefit obligations	1 343	1 216				
Trade and other payables and provisions	11 728	10 087	2 498	3 650	2 521	2 464
Other financial liabilities (excluding the put liability)	124	194	58	24	6	157
Operating liabilities~	13 195	11 497	2 556	3 674	2 527	2 621
• South Africa	5 569	3 978	2 556	3 674		
• Rest of Africa	2 527	2 621			2 527	2 621
• International	5 099	4 898				
Net working capital~	747	1 881	302	793	1 182	1 206
• South Africa	(987)	457	302	793		
• Rest of Africa	1 182	1 206			1 182	1 206
• International	552	218				
Net debt~	5 766	5 721	1 491	2 241	836	635
• South Africa	1 297	1 969	1 491	2 241		
• Rest of Africa	836	635			836	635
• International	3 633	3 117				
Net capital expenditure^~	(1 094)	(517)	(569)	(388)	(16)	216
• South Africa	(665)	(360)	(569)	(388)		
• Rest of Africa	(16)	216			(16)	216
• International	(413)	(373)				

* Net working capital on the consolidated statement of financial position include working capital of the CPG discontinued operation that will be recovered or settled through the ordinary course of business and not through sale. This working capital has been excluded from the working capital of Logistics South Africa. Refer to note 13 for disclosure on discontinued operations.

^ 2018 has been adjusted to exclude Motus.

~ Refer to glossary of terms on page 100.

Logistics International		CPG net working capital*		Head Office and Eliminations	
2019 Rm	2018 Rm	2019 Rm	2018 Rm	2019 Rm	2018 Rm
4 413	5 105			16	9
1 266	1 433			99	(111)
2 836	2 760				(33)
128	176				(32)
5	5			15	(4)
198	154	4			
4 080	3 744	1 690			(43)
12 926	13 377	1 694		130	(214)
		1 694		130	(214)
12 926	13 377				
1 343	1 216				
3 726	3 680	2 780		203	293
30	2			30	11
5 099	4 898	2 780		233	304
		2 780		233	304
5 099	4 898				
552	218	(1 086)		(203)	(336)
		(1 086)		(203)	(336)
552	218				
3 633	3 117			(194)	(272)
				(194)	(272)
3 633	3 117				
(413)	(373)	(89)	(9)	(7)	37
		(89)	(9)	(7)	37
(413)	(373)				

1. Accounting policies

The principal accounting policies adopted and the methods of computation used in the preparation of these consolidated annual financial statements are set out below and are consistent in all material respects with those applied during the previous year, except for the adoption of IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers.

1.1 Statement of compliance

The consolidated annual financial statements are stated in South African Rand and are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the group at 30 June 2019 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa, 2008.

1.2 Basis of measurement

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

1.3 Consolidation

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

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

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

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

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

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

All 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 included in the consideration transferred in a business combination. The contingent consideration is remeasured at subsequent dates to its fair value through profit or loss.

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

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

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

1. Accounting policies continued

1.5 Foreign currencies

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

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

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

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

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

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

1.6 Investment in associates

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

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

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

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

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

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

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

Upon disposal of an associate that results in the group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as the fair value on initial recognition as a financial asset in accordance with IFRS 9.

The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When a group entity transacts with an associate of the group, unrealised profits and 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.

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 cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the business combination.

A cash-generating unit 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 cash-generating unit is less than its carrying amount, 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.

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

On disposal of the relevant cash-generating unit, 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. Accounting policies continued

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 cash-generating unit 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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

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

1.11 Property, plant and equipment, transport fleet and vehicles for hire

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

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

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

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

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

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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.

1. Accounting policies continued

1.11 Property, plant and equipment, transport fleet and vehicles for hire continued

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

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

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

1.12 Inventories

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

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

1.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The group as lessee

Assets held under finance leases are initially recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments.

The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Finance lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest of the remaining balance of the liability.

Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets in which case they are capitalised in accordance with the group's policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where substantially all risks and rewards incidental to ownership of an asset are transferred under a sale and leaseback arrangement the asset is derecognised at market value and the operating lease payments are then expensed on a straight-line basis over the lease term.

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

1. Accounting policies continued

1.16 Provisions

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

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

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

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

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

Dismantling and environmental risk

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

Onerous contracts

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

Restructuring

Restructuring provisions are recognised as follows:

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

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

1.17 Income taxes

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

Current tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

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

1. Accounting policies continued

1.17 Income taxes continued

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 (SARS). 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.

1.18 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 is 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 distributorships are recognised at a point in time.

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

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

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

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

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

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

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

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

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

The revenue contracts do not contain significant financing components.

1.20 Interest and dividend income

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

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

1. Accounting policies continued

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, or increase the basic loss per share.

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 4/2018 – Headline Earnings, as issued by the South African Institute of Chartered Accountants.

1.23 Share issues costs, shares repurchased and dividend payments

Share issue costs

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

Shares repurchased

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

Fair value gains or losses recognised by a subsidiary or an associate of the group in their own accounts, that pertain to the remeasurement of their investments in Imperial shares, are eliminated in full from the consolidation 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 intergroup 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, or
- Fair value through profit or loss.

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

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 an amount of the consideration to which the group expects to be entitled to in exchange for transferring goods or services to a customer. These assets do not contain a significant financing component.

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

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

Cash resources are carried at amortised cost.

Subsequent measurement of financial liabilities

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

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

Hedge accounting

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

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

Impairment of financial assets not carried at fair value

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

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

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

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

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

Derecognition

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

Put arrangements over non-controlling interests

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

Cash resources

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

1. Accounting policies continued

1.26 Significant accounting judgements, estimates and assumptions

Consolidated statement of financial position presentation based on liquidity

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

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

Assets

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

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

Cash resources are unrestricted.

Liabilities

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

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

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

Contingent liabilities

The group applies its judgement to the fact patterns and advice it receives from its attorney, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement is used to determine whether the obligation is recorded as a liability on the consolidated statement of financial position or disclosed as a contingent liability.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the group. Such changes are reflected in the assumptions when they occur.

Residual values of assets

The group reassesses the residual values of its assets on an annual basis. Actual residual values can vary from those estimated. In arriving at estimated residual values the group considers the existing condition of the asset, the expected condition of the asset at the end of its useful life, technological innovations, product life cycles, maintenance programmes and projected disposal values.

Income taxes

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

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

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

Revenue recognition

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

Significant judgements made to determine the stage of completion of contracts include:

- Fuel cost inflation where fuel costs are part of the contract price
- Minimum volume level specifications

1. Accounting policies continued

1.26 Significant accounting judgements, estimates and assumptions continued

Fair value measurement of financial instruments

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

Useful life of intangible assets

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.

The factors considered in determining the useful life of an intangible asset include:

a. The expected usage of the asset by the entity and whether the asset could be managed efficiently by another management team.
b. Typical product life cycles for the asset and public information on estimates of useful lives of similar assets that are used in a similar way.
c. Technical, technological, commercial or other types of obsolescence.
d. The stability of the industry in which the asset operates and changes in the market demand for the products or services or output from the asset.
e. Expected actions by competitors or potential competitors.
f. The level of maintenance expenditure required to obtain the expected future economic benefits from the asset and the entity's ability and intention to reach such a level.
g. The period of control over the asset and legal or similar limits on the use of the asset.
h. Whether the useful life of the asset is dependent on the useful life of other assets of the entity.

Impairment of non-financial assets

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

The value-in-use calculation is based on the discounted cash flow (DCF) model. The cash flows are derived from five-year budget information and do not include uncommitted restructuring activities or significant future investments that will enhance the asset's performance of the cash-generating unit (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 other intangible assets with indefinite useful lives 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 5.

Share-based payments

Estimating fair value of share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs into the valuation model including the life of the share schemes, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the group uses the Black-Scholes pricing model for both the share appreciation rights and deferred bonus plan schemes. The assumptions used for estimating the fair value of share-based payment transactions are disclosed in note 16.2.

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 18).

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

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

Provision for expected credit losses

Provision is made for doubtful debts 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.

1. Accounting policies continued

1.26 Significant accounting judgements, estimates and assumptions continued

Provision against inventory

Inventory is counted at least once a year and any shortages and obsolete stock identified are written off immediately.

An allowance is made for slow-moving and obsolete inventory based on historical trends.

Put option and contingent consideration liabilities

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

Discontinued operations

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

2. IFRS standards that became effective during the year

IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers became effective to the group during the financial year. The adoption of IFRS 15 resulted in a reclassification on the statement of financial position. Included in trade, other receivables and contract assets is R875 million (2018: R872 million) of contract assets.

The adoption of IFRS 9 has had no impact on the carrying amounts reported at 30 June 2018. The hedging requirements of IAS 39 continue to be applied. Refer to note 35.2.1 for the classification of the various financial instruments at 30 June 2019.

The group's revised policy regarding financial instruments and revenue are disclosed in note 1.25 and note 1.19 respectively.

3. New and revised IFRS in issue but not yet effective

IFRS 16 – Leases

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

The group's existing accounting policy is to expense operating lease payments on a straight-line basis over the lease term. From 2020 the group will recognise right-of-use assets and lease liabilities, which represent the right to use the underlying leased asset and the obligation to make lease payments, on the statement of financial position. The right-of-use assets will be amortised and interest on the lease liability will be expensed, in profit or loss. The operating lease payments will be accounted for as settlement of the lease liabilities and will be reclassified from operating activities to financing activities in the statement of cash flows.

The group's assessment determined that the right-of-use asset and lease liability to be recognised on adoption of the standard will amount to R5 348 million and R5 823 million respectively.

3. New and revised IFRS in issue but not yet effective continued

IFRS 16 – Leases continued

The group will apply the full retrospective approach on adoption of the standard. The impact on the 30 June 2018 financial statements is summarised below:

Profit or loss	Total operations Rm	South Africa Rm	African Regions Rm	International Rm
EBITDA	1 602	522	100	980
Depreciation	(1 344)	(421)	(78)	(845)
Operating profit	258	101	22	135
Interest	(310)	(144)	(35)	(131)
Profit before tax	(52)	(43)	(13)	4
Financial position				
Total assets	5 348	1 580	416	3 352
Total liabilities	5 823	1 788	451	3 584
Equity	(475)	(208)	(35)	(232)

IFRIC 23 – Uncertainty over income tax treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively.
- Assumptions for taxation authorities' examinations.
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- The effect of changes in facts and circumstances.

The group is not expecting the application of this IFRIC to have a material impact.

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

4. Presentation of discontinued operations

Financial statements

The results of Motus and CPG is presented as a single line item in the consolidated statement of profit or loss under discontinued operations. The assets to be recovered through sale are shown under "Assets of disposal group" on the consolidated statement of financial position. Net working capital on the consolidated statement of financial position include working capital of the CPG discontinued operation that will be recovered or settled through the ordinary course of business and not through sale. This working capital has been excluded from the working capital of Logistics South Africa in the financial position segment information and separately reflected in the segment report.

The consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows are shown in total for continuing operations (Imperial Logistics), and discontinued operations. Further disclosure for CPG and Motus are provided in note 13.

Notes to the financial statements

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

5. Goodwill and intangible assets

	Goodwill Rm	Customer lists, contracts and networks Rm	Computer software Rm	Other intangibles Rm	Total Rm
At 30 June 2019					
Cost	7 387	3 850	859	181	12 277
Accumulated amortisation and impairment	2 477	2 425	514	142	5 558
	4 910	1 425	345	39	6 719
Net carrying value at beginning of year	6 221	1 813	467	74	8 575
Movements during the year~					
Net acquisition of subsidiaries and businesses	24			1	25
Additions		6	25	64	95
Proceeds from disposal			(6)	3	(3)
Loss from disposal			(3)		(3)
Impairment charge	(1 139)			(6)	(1 145)
Impairment of CPG	(261)		(70)	(88)	(419)
Amortisation		(400)	(68)	(9)	(477)
Currency adjustments	65	6			71
Net carrying value at end of year	4 910	1 425	345	39	6 719

	Goodwill Rm	Customer lists, contracts and networks Rm	Computer software Rm	Other intangibles Rm	Total Rm
At 30 June 2018					
Cost	7 298	3 838	843	113	12 092
Accumulated amortisation and impairment	1 077	2 025	376	39	3 517
	6 221	1 813	467	74	8 575
Net carrying value at beginning of year	6 694	2 231	524	80	9 529
Movements during the year~					
Net acquisition of subsidiaries and businesses	213	107	(6)		314
Additions			145	17	162
Proceeds from disposal			(1)		(1)
Loss from disposal			(5)		(5)
Impairment charge	(92)		(4)	(11)	(107)
Amortisation		(434)	(110)	(16)	(560)
Currency adjustments	359	114	13		486
Reclassifications		(26)	(9)	22	(13)
Reclassifications to assets held for distribution to owners of Imperial	(953)	(179)	(80)	(18)	(1 230)
Net carrying value at end of year	6 221	1 813	467	74	8 575

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

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

There were no material business combinations during the current year.

No assets have been encumbered.

5. Goodwill and intangible assets continued

Goodwill and indeterminate useful life intangible assets

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

	Carrying amount		Pre-tax discount rate		Terminal growth rate	
CGUs with significant goodwill	**2019 Rm**	**2018 Rm**	**2019 %**	**2018 %**	**2019 %**	**2018 %**
Logistics South Africa and African Regions						
Imperial Health Sciences		191	23,0	20,3	4,0	4,9
Imperial Managed Logistics (Pty) Limited		57	23,8	22,2	3,0	5,3
CIC Holdings Limited		481	24,0	19,4	4,0	5,7
Eco Health Limited*	615	598	12,8	19,5	5,3	9,0
Imres B.V.*	460	459	13,1	10,6	2,6	2,6
Surgipharm**	367	356	20,8	18,7	6,4	7,0
Logistics International						
Shipping Group#	923	831	8,5	7,8	0,8	0,8
Road Group#		389	9,0	7,8	0,8	0,8
Automotive Group#	199	217	9,8	7,8	0,8	0,8
Industrial Group#		76	9,4	7,8	0,8	0,8
Retail Group#	61	162	8,0	7,8	0,8	0,8
Chemicals Group#	349	364	9,4	7,8	0,8	0,8
Lubcke Marine#	40	71	8,0	7,8	0,8	0,8
Express Freight (Palletways)@	1 846	1 855	10,2	7,1	0,8	0,8
Significant goodwill	4 860	6 107				
Other goodwill	50	114				
Carrying value of goodwill	4 910	6 221				
Indeterminate useful life intangible assets~						
Express freight (Palletways)@	314	317	10,2	7,8	0,8	0,8
Goodwill and indeterminate useful life intangible assets	5 224	6 538				

* Discount rate based on USD denominated cash flows.
** Discount rate based on KES denominated cash flows.
# Discount rate based on EURO denominated cash flows.
@ Discount rate based on UK Pound denominated cash flows.
~ Included in customer lists and contracts above.

5. Goodwill and intangible assets continued

Goodwill and indeterminate useful life intangible assets continued

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 for the group.

The carrying amount of goodwill is subject to an annual impairment test. Impairment tests are carried out on all goodwill balances within each CGU.

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

Key assumptions used in value-in-use calculations

Cash flow projections

The value in use is calculated using the forecasted 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 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 forecasted 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.

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

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

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

Growth rates

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

The group used steady growth rates to extrapolate revenues beyond the forecasted 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 operates.

Discount rates applied

The discount rates were determined independently from the group and present the current market assessment of the risks for each CGU, taking 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 CGU's weighted average cost of capital and takes into account both the cost of debt and the cost of equity.

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 and a small stock premium. The CAPM uses market betas of comparable entities in arriving at the cost of equity. The cost of debt is based on the interest-bearing borrowings the CGU is obliged 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.

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

	Carrying amount	Pre-tax discount rate		Terminal growth rate	
CGUs sensitive to discount rate and terminal growth rate	**2019 Rm**	**Existing rate %**	**Break-even rate %**	**Existing rate %**	**Break-even rate %**
Surgipharm	367	20,8	23,6	6,4	6,1
Retail Group	61	8,0	8,3	0,75	0,70
Lubcke Marine	40	8,0	8,1	0,75	0,84

The board of directors therefore believe that any reasonable possible change in the key assumptions on which the value in use is based would not cause the carrying amount of a CGU to exceed the recoverable amount of that CGU.

Impairment of goodwill

The impairment charge, excluding the CPG impairment, is included within "Other non-operating items" in the consolidated statement of profit or loss. It is excluded from the segment results disclosed in the segment profit or loss report. Goodwill impairment by segment is disclosed on the segment profit or loss.

The significant goodwill impairments by CGU were as follows:

	Goodwill impaired	Pre-tax discount rate		Terminal growth rate		
CGU	**2019 Rm**	**2019 %**	**2018 %**	**2019 %**	**2018 %**	**Reason for impairments**
South Africa						
Health Science	58	23,0	21,5	4,0	5,3	Increased discount rate, lower terminal growth rates, weak economical outlook
Managed Solutions	49	23,8	22,2	3,0	5,3	Increased discount rate, lower terminal growth rates, weak economical outlook
CPG (discontinued)*	261	23,0	21,3	4,0	5,3	Loss making, business model unviable and uncompetitive
African Regions						
CIC Africa	327	24,0	19,2	4,5	6,0	Increased discount rate, lower terminal growth rates, weak economical outlook in Namibia and Mozambique
Health Science	53	15,9	18,5	6,0	4,0	Decline in donor-related work in Kenya and Ghana
International						
Road	386	9,0	7,8	0,8	0,8	Increased discount rate, lower volumes, poor economic outlook, some components exited
Industrial	57	9,4	7,8	0,8	0,8	Increased discount rate, lower margins, poor economic growth outlook
Retail	88	8,0	7,8	0,8	0,8	Increased discount rate, low economical growth outlook, volumes negatively impacted
Other	121					
Total	1 400					

* In the prior year R188 million was included in CIC Holdings Limited and R73 million under Imperial Health Sciences.

6. Property, plant and equipment

	Land, buildings and leasehold improvements Rm	Equipment and furniture Rm	Motor vehicles Rm	Total Rm
At 30 June 2019				
Cost	2 833	2 617	314	5 764
Accumulated depreciation and impairment	1 094	1 828	195	3 117
	1 739	789	119	2 647
Net carrying value at beginning of year	1 781	1 091	170	3 042
Movements during the year~				
Net disposal of subsidiaries and businesses	(11)			(11)
Additions	168	273	25	466
Proceeds from disposal	(183)	(10)	(11)	(204)
Depreciation	(86)	(287)	(44)	(417)
Impairment charge	(16)			(16)
Profit from disposal	10	(3)		7
Currency adjustments	7	3	5	15
Inter-group profit eliminations reversed with the unbundling of Motus included in profit on unbundling	208	1	2	211
Reclassified to transport fleet			(28)	(28)
Impairment of CPG discontinued operation	(14)	(264)		(278)
Reclassified to disposal group held for sale	(125)	(15)		(140)
Net carrying value at end of year	1 739	789	119	2 647
At 30 June 2018				
Cost	2 985	3 164	379	6 528
Accumulated depreciation and impairment	1 204	2 073	209	3 486
	1 781	1 091	170	3 042
Net carrying value at beginning of year	8 030	2 020	321	10 371
Reclassification from properties held for sale*	739			739
Movements during the year				
Net (disposal) acquisition of subsidiaries and businesses	(90)	(568)	18	(640)
Additions	366	515	149	1 030
Proceeds from disposal	(1 673)	(32)	(77)	(1 782)
Depreciation	(136)	(464)	(108)	(708)
Impairment charge	(114)	(3)		(117)
Profit from disposal	753	(8)	8	753
Currency adjustments	95	74	3	172
Reclassifications		10	1	11
Reclassification to assets held for distribution to owners of Imperial	(6 189)	(453)	(145)	(6 787)
Net carrying value at end of year	1 781	1 091	170	3 042

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

* Relates to properties classified as held for sale at 30 June 2017 and sold during 2018. Their proceeds and profit from disposal are included in the movements for 2018.

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.

Certain property, plant and equipment were encumbered as security for interest-bearing borrowings amounting to R75 million (2018: R116 million), refer to note 19.

	2019 Rm	2018 Rm
7. Transport fleet		
Cost	10 821	10 950
Accumulated depreciation and impairment	5 369	5 592
	5 452	5 358
Net carrying value at beginning of year	5 358	5 560
Movements during the year~		
Net disposal acquisition of subsidiaries and businesses	(3)	(144)
Additions	1 034	686
Proceeds from disposal	(294)	(336)
Depreciation	(651)	(622)
Profit from disposal	40	56
Currency adjustments	47	158
Inter-group profit eliminations reversed with the unbundling of Motus and included in profit on unbundling	33	
Reclassified from motor vehicles	28	
Reclassified to assets of disposal groups	(140)	
Net carrying value at end of year	5 452	5 358

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 between three and 12 years.

Certain transport fleet assets have been encumbered as security for interest-bearing borrowings amounting to R160 million (2018: R287 million), refer to note 19.

	2019 Rm	2018 Rm
8. Deferred tax		
Movement of deferred tax~		
Net carrying value at beginning of year	354	(394)
Charged to profit or loss		
• Current year	(155)	(94)
• Prior year net overprovisions	(5)	(18)
• Impairment (reversal) charge	(21)	19
• Deferred tax from CPG discontinued operations	(457)	
Recognised in other comprehensive income and direct in equity	(77)	73
Net acquisitions of subsidiaries and businesses	110	(3)
Currency adjustments	(8)	12
Reclassified to assets and liabilities of disposal groups		759
Net (asset) liability at end of year	(259)	354

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

Analysis of deferred tax (asset) liability	2019 Rm	2018 Rm
8. Deferred tax continued		
• Intangible assets	350	435
• Property, plant and equipment	23	107
• Transport fleet	627	501
• Provisions and other payables	(630)	(269)
• Retirement benefit obligation	(228)	(152)
• Non-current financial liabilities	(70)	(91)
• Tax losses	(294)	(237)
• Other	(37)	60
	(259)	354
Net deferred tax comprises:		
Deferred tax assets	(1 068)	(783)
Deferred tax liabilities	809	1 137
	(259)	354
Unrecognised tax losses		
Unused tax losses available to offset against future profits	(1 472)	(1 255)
Deferred tax asset recognised in respect of such losses	1 129	846
Remaining tax losses not recognised	(343)	(409)

Where entities within the group are based on approved projections, expecting to be profitable 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, any resulting deferred tax asset is impaired. These assessments are performed on at least an annual basis.

Assessments conducted in determining whether to raise deferred tax assets or not, require some degree of judgement where the approved five-year projections of each legal entity are used to estimate the future taxable income in view of the relevant tax legislation involving adjustments for disallowable expenses, non-taxable income and other temporary differences. These projections take into account current business performances 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 GDP and CPI of each country as well as the macroeconomic factors applicable to each of these. In countries where the assessed losses expire after a stipulated period of time, these losses are derecognised.

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 and hence no deferred tax asset has been raised on this balance.

		2019 Rm	2018 Rm
9.	**Investments and other financial assets**		
	Other investments	19	30
	Loans and receivables – at amortised cost	164	176
		183	206
	Effective interest rates	1,5% – 15,0%	3,0% – 15,0%
	For further disclosures refer to note 35.		
10.	**Inventories**		
	Pharmaceutical goods	1 673	1 526
	Fast moving consumer goods	414	427
	Spares, accessories and finished goods	193	155
	Fuel and oil	69	86
	Net carrying value at end of year	2 349	2 194
	Net amount of inventory write-down expensed in profit or loss	32	
	Certain inventories have been encumbered as security for interest-bearing borrowings amounting to R235 million, refer to note 19.		
11.	**Trade and other receivables**		
	Trade and lease receivables	8 053	8 158
	• Gross receivables	8 418	8 542
	• Expected credit loss allowance	(365)	(384)
	Other receivables	1 196	735
	Derivative financial instruments (level 2 in the fair value hierarchy)	2	9
		9 251	8 902
	Certain trade receivables have been encumbered as security for interest-bearing borrowings amounting to R284 million (2018: R535 million), refer to note 19. Refer to note 35 for further details on trade receivables.		
12.	**Cash resources**		
	Deposits and funds on call	998	1 242
	Cash on hand and at bank	648	1 576
		1 646	2 818
	Effective interest rates	0,0% – 6,25%	0,0% – 6,0%

13. Discontinued operations

The unbundling of Motus

On 22 November 2018 Imperial distributed its interest in Motus Holdings Limited to its ordinary shareholders by way of a distribution in specie such that each ordinary shareholder received one Motus share for every one ordinary share held in Imperial. The distribution resulted in the deconsolidation of Motus.

The fair value of the distribution of R17 058 million was determined with reference to the unadjusted listed price of Motus on 22 November 2018. As the distribution value exceeded the consolidated net asset value of Motus a fair value gain of R4 339 million was recognised in profit or loss. The fair value gain is net of the cost to distribute and taxes and together with the trading results of Motus is presented as a discontinued operation in the consolidated statement of profit or loss.

Discontinuation of Consumer Packaged Goods

The group's Consumer Packaged Goods business (CPG) has been classified as a discontinued operation following the announcement on 3 June 2019 to exit the business due to the multi-principal warehouse distribution model becoming unviable and uncompetitive. The decision to exit the business resulted in an after tax charge of R1 439 million in profit or loss. This included asset impairments of R718 million, staff retrenchment costs and onerous leases provisions of R1 171 million before tax less a tax benefit of R450 million.

The results of the discontinued operations were as follows:

	Total 2019 Rm	CPG 2019 Rm	Motus 2019 Rm	Total 2018 Rm	CPG 2018 Rm	Motus 2018 Rm
Revenue	29 234	2 498	26 736	79 943	2 563	77 380
Net operating expenses	(27 937)	(2 933)	(25 004)	(74 985)	(2 551)	(72 434)
Profit from operations before depreciation and recoupments	1 297	(435)	1 732	4 958	12	4 946
Depreciation, amortisation, impairments and recoupments	(68)	(68)		(1 420)	(67)	(1 353)
Operating profit (loss)	1 229	(503)	1 732	3 538	(55)	3 593
Recoupments from sale of properties, net of impairments				617		617
Amortisation of intangible assets arising on business combinations				(17)	(2)	(15)
Foreign exchange losses	(53)		(53)	(43)		(43)
Other non-operating items				(245)		(245)
Net finance cost	(346)	(103)	(243)	(817)	(80)	(737)
Share of results of associates and joint ventures				34		34
Profit (loss) before tax from operations	830	(606)	1 436	3 067	(137)	3 204
Income tax attributed to operations	(237)	146	(383)	(838)	54	(892)
Net profit (loss) for the year from operations	593	(460)	1 053	2 229	(83)	2 312
Net (loss) gain on discontinuance	2 900	(1 439)	4 339			
Gross (loss) gain on discontinuance	2 414	(1 889)	4 303			
Income tax attributed to the loss or gain on discontinuance	486	450	36			
Net profit (loss) for the year	3 493	(1 899)	5 392	2 229	(83)	2 312

The assets classified as held for sale at 30 June 2019 for the CPG operations consist of mainly property, plant and equipment and fleet amount to R296 million.

13. Discontinued operations continued

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

	CPG Rm	Motus Rm	2019 Rm	2018 Rm
Operating activities	(464)	(1 343)	(1 807)	3 441
Investing activities	(89)	(231)	(320)	(70)
Financing activities	553	61	614	(2 743)

13.2 The unbundling profit is calculated as follows:

	2019 Rm
Total assets distributed including cash of R1 508 million	38 065
Total liabilities distributed	(25 310)
Net assets distributed	12 755
Fair value of net assets distributed	(17 058)
	(4 303)

The following assumptions and methods of estimation was used in determining the loss on exiting the Consumer Packaged Goods business:

Asset impairments

All assets have been valued at the lower of carrying value or fair value less cost to sell. The following has been taken into account in determining the realisable value of the fixed assets:

Goodwill was impaired in full due to the continued losses in CPG and the unviable and uncompetitive nature of the consumer packaged goods business model. The residual value of the transport fleet was based on an independent analysis of manufacturer and dealer information taking vehicle age and condition into account. Independent experts have been used in obtaining the residual values of machinery and equipment. Leasehold improvements have been fully impaired as management does not believe that there is reasonable opportunity of recovery. Furniture that has been acquired in the last six months has been valued at 30% of the original purchase price. All other furniture have been impaired in full. As licensing agreements restrict the sale of software and as there is no value to third parties for software deployment, intangible assets have been impaired in full.

Staff retrenchment costs

Staff retrenchment costs have been calculated with reference to the Basic Conditions of Employment Act in South Africa and include both severance and notice pay.

Onerous lease on property rentals

The onerous lease liabilities are recognised as the unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be derived from the leased properties. The liability is determined by estimating the present value of the minimum future contractual payments the group is obligated to make under the non-cancellable lease contract, reduced by estimated recoveries.

In estimating the recoveries management considered the probability of subleasing the properties taking the length of the lease as well as the availability and demand for similar facilities into consideration. A higher probability of subleasing was applied to longer-term leases and highly marketable properties, whereas for shorter-term leases and properties with no or low demand, lower probabilities of subleasing were assumed.

The amount of the sublease rental income used in the estimation of the onerous lease provision was based on the group's existing lease payments.

Contingencies

The liabilities and cost raised from the exit of the CPG business is based on management's best estimate at 30 June 2019 after taking into account events and information after the reporting period but before the financial statements were authorised for issue. Contingencies could therefore exist due to the judgements applied in estimating the closure costs.

	2019 Rm	2018 Rm
14. Share capital and share premium		
Authorised share capital		
394 999 000 (2018: 394 999 000) ordinary shares of 4 cents each	15	15
50 000 000 (2018: 50 000 000) deferred ordinary shares of 4 cents each	2	2
15 000 000 (2018: 15 000 000) preferred ordinary shares of 4 cents each	1	1
1 000 (2018: 1 000) redeemable preference shares of 4 cents each		
40 000 000 (2018: 40 000 000) non-redeemable, non-participating preference shares of 4 cents each	2	2
	20	20
Issued and fully paid share capital ~		
201 242 919 (2018: 201 971 450) ordinary shares of 4 cents each	8	8
6 867 891 (2018: 7 699 360) 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 13.

Directors' authority to issue authorised share capital

The directors have been given general authority until the next annual general meeting to issue not more than five percent of the issued ordinary share capital at 30 June 2018 and not more than five million of the non-redeemable, non-participating preference shares.

Ordinary shares

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

Deferred ordinary shares

The deferred ordinary shares were issued to Ukhamba, the group's BBBEE partner. The shares convert into ordinary shares annually at a fixed rate of 831 469 shares. At 30 June 2019, 15 887 498 (2018: 15 056 029) deferred ordinary shares have been converted into the same number of ordinary shares. The last conversion will be on 30 June 2025. These shares carry one vote per share and are not entitled to dividends.

Directors' interests in issued share capital

The aggregate shareholdings of the directors in the issued ordinary share capital of the company are outlined in note 38.

	Number of shares	Rm
15. Shares repurchased		
Shares repurchased at 30 June 2019,consist of 4 914 335 ordinary shares held by an entity controlled by the company. The movement in the shares repurchased were as follows:		
At 30 June 2017	3 472 583	(574)
Repurchase of 712 857 ordinary shares at R219 each	712 857	(156)
1 000 105 ordinary shares delivered to settle obligations in respect of share schemes	(1 000 105)	170
At 30 June 2018	3 185 335	(560)
Repurchase of 4 085 044 ordinary shares at R64 each	4 085 044	(262)
796 044 ordinary shares delivered to settle obligations in respect of share schemes	(796 044)	136
Cancellation of 1 560 000 ordinary shares	(1 560 000)	100
At 30 June 2019	4 914 335	(586)

Repurchases were done at market price on day of transaction.

	2019 Rm	2018 Rm
16. Other reserves		
Foreign currency translation reserve (refer note 16.1)	1 951	1 448
Share-based payment reserve (refer note 16.2)	(77)	(22)
Hedge accounting reserve	(40)	200
Statutory reserve	57	25
Premium paid on purchase of non-controlling interests (refer note 16.3)	(1 058)	(1 380)
	833	271

For movements in other reserves, see consolidated statement of changes in equity on pages 20 and 21.

	2019 Rm	2018 Rm
16.1 Foreign currency translation reserve		
Balance at beginning of year	1 448	950
Goodwill and intangible assets	71	486
Investments, loans, other financial assets, associates and joint ventures	51	28
Property, plant and equipment	15	172
Transport fleet	47	158
Deferred tax	8	(12)
Inventories	(23)	74
Current tax	(1)	(15)
Trade and other receivables	(14)	450
Cash resources	44	129
Non-controlling interests	(8)	(38)
Retirement benefit obligations	(2)	(91)
Interest-bearing borrowings	(45)	(373)
Other financial liabilities	(27)	(99)
Provisions for liabilities and charges	(3)	(31)
Trade and other payables	38	(340)
Translation of assets held for distribution to owners of Imperial and associated liabilities	51	
Realisation on unbundling of Motus	301	
Balance at end of year	1 951	1 448

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 to share schemes:

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

The SAR granted before the unbundling date will be settled in Imperial shares only. Performance conditions will be based on the combined value of both Imperial and Motus shares. The value 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.

16. Other reserves continued

16.2 Share-based payment reserve continued

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

Share Appreciation Rights Scheme (SAR)	2019 Number of rights	2019 Weighted average exercise price (Rand)	2018 Number of rights	2018 Weighted average exercise price (Rand)
Rights granted at beginning of year	15 245 123	152,52	20 160 185	159,18
Rights allocated during the year *	7 438 383	65,09	941 751	152,65
Rights exercised during the year	(162 104)	136,85	(3 679 453)	181,40
Rights forfeited during the year	(1 763 102)	123,74	(2 177 360)	165,24
Motus unbundling^	(7 193 094)	153,11		
Unexercised rights at end of year	13 565 206	106,05	15 245 123	152,52

* The rights were issued after the unbundling of Motus as the exercise price had to be determined based on the Imperial Logistics share price after the unbundling of Motus.
^ Relate to rights issued to employees of Motus and were therefore reduced when Motus was unbundled.

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

Share Appreciation Rights Scheme – details of rights by year of grant	Number of rights	Average exercise price (Rand)	Expiry date
Grant date			
June 2013	227 969	195,20	June 2020
June 2014	200 640	193,77	June 2021
June 2015	999 152	174,65	June 2022
June 2016	2 406 163	127,77	June 2021
June 2017	2 739 121	152,65	June 2022
June 2019	6 992 161	65,09	June 2023
Total unexercised rights at end of year	13 565 206	106,05	

16. Other reserves continued

16.2 Share-based payment reserve continued

Deferred Bonus Plan – details of rights taken up and not vested	Number of rights taken up	Rights transferred to employees of Motus	Unvested rights remaining in Imperial	Vesting date
Rights taken up				
Prior to unbundling#				
May 2016	339 551	205 110	134 441	September 2019
June 2017	60 924		60 924	September 2019
June 2017	237 417	168 474	68 943	September 2020
Post unbundling*				
November 2018	162 851		162 851	September 2019
November 2018	250 035		250 035	September 2021
	1 050 778	373 584	677 194	

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

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

Conditional Share Plan (CSP)	Number of rights	Average exercise price (Rand)	Vesting date	Rights vested during the year	Unvested rights
Grant date					
October 2015	48 915	174,65	Sep 2018	48 915	
June 2016	80 340	127,77	Sep 2018	80 340	
June 2017	72 060	152,65	Sep 2018	72 060	
November 2018	488 554	65,09	Sep 2021		488 554
November 2018	559 994	65,09	Sep 2022		559 994
November 2018	810 416	65,09	Sep 2023		810 416

The CSP 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 CSP will be based on individual targets set by the board. Upon vesting the participant will receive one Imperial share for every right held.

16. Other reserves continued

16.2 Share-based payment reserve continued

Based on prior years' vesting experience, hedges have been taken out and Imperial shares have been repurchased to cover the anticipated number of share appreciation rights and deferred bonuses that will convert. During the 2019 financial year the group delivered 796 044 shares to settle share scheme rights and now holds 4 914 335 shares as hedges. Refer note 15.

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

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

	2019	2017	2016	2015
Share Appreciation Rights Scheme				
Volatility (%)	37,18	35,60	34,00	32,00
Weighted average share price (Rand)	65,09	152,65	127,77	174,65
Weighted average exercise price (Rand)	65,09	152,65	127,77	174,65
Weighted average fair value of rights (Rand)	18,85	44,25	39,08	48,76
Expected life (years)	3,85	4,3	4,39	4,27
Average risk-free rate (%)	7,75	7,59	8,75	7,47
Expected dividend yield (%)	4,00	4,00	3,75	3,5
Deferred Bonus Plan and Conditional Share Plan				
Volatility (%)	37,18	35,60	34,00	32,00
Weighted average share price (Rand)	65,09	152,65	127,77	174,65
Weighted average fair value of rights (Rand)	65,09	134,09	112,76	156,08
Expected life (years)	3,61	3,24	3,33	3,21
Average risk-free rate (%)	7,75	7,59	8,75	7,47
Expected dividend yield (%)	4,00	4,00	3,75	3,5

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

Share-based payment expense charged to profit or loss amounted to R181 million (2018: R219 million) of which R40 million (2018: R89 million) related to discontinued operations. A tax benefit of R16 million (2018: R67 million) was recognised directly in equity.

Directors' interests in issued share capital

The aggregate allocations to the directors in the Share Appreciation Rights Scheme, the Deferred Bonus Scheme and the Conditional Share Plan of the company are outlined in note 39.

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

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

	Premium paid on purchase of NCI Rm	Change in NCI Rm	Consideration amount Rm
Acquisition of a further 1,073% interest in Eco Health Limited	(48)	9	(39)
Acquisition of the remaining 20% interest in KWS Carriers	(53)	(12)	(65)
Acquisition of the remaining 20% interest in Interchain Logistics	(10)	(1)	(11)
Dilution of 25% interest on share issue to NCI in Advance Group	134	66	200
Other	(13)	(14)	(27)
2019	10	48	58
Acquisition of a further 18,8% interest in Eco Health Limited	(510)	(72)	(582)
Acquisition of the remaining 25% interest in Resolve Solutions Partners	(68)	(6)	(74)
Other	(18)	(10)	(28)
2018	(596)	(88)	(684)

		2019 Rm	2018 Rm
17.	**Non-redeemable, non-participating preference shares**		
	Non-redeemable, non-participating preference shares at cost		441
	The preference shares were repurchased and delisted on 15 October 2018 at a total cost of R389 million which included a pro rata preference dividend amounting to R11 million. The repurchase resulted in a gain of R63 million which is included in finance income in profit or loss.		
18.	**Retirement benefit obligations**		
	Defined contribution plans		
	Total cost charged to profit or loss	533	503
	The group provides retirement benefits through independent funds under the control of trustees and all contributions to those funds are charged to profit or loss. The large majority of South African employees, other than those employees required by legislation to be members of various industry funds, are members of the Imperial Group Pension Fund and the Imperial Group Provident Fund which are governed by the Pensions Funds Act, 1956.		
	Defined benefit plans		
	Imperial Logistics International GmbH, a subsidiary located in Germany, operates a number of defined benefit plans for its employees in Europe with a majority of the plans being unfunded. Under the plans the employees are entitled to retirement benefits which are dependent on seniority, length of service and level of pay. The defined benefit plans are governed by the "Betriebsrentengesetz (BetrAVG)" (company pension act), which is a federal law implemented in 1974.		
	The benefit obligations in Europe are provided for based on actuarial valuations prepared using the projected unit credit method, with the following assumptions:		
	• Discount rate (%)	1,15	1,70
	• Projected pension payment increase (%)	1,75	1,75
	• Projected salary and other contribution increase (%)	2,00	2,00
	• Fluctuation rate (depends on the age of male or female) (%)	0,00 – 8,00	0,00 – 8,00
	The latest actuarial valuation was performed in June 2019. In the opinion of the actuary, Willis Towers Watson GmbH, the provision for the defined benefit obligations is adequate. The next valuation will be conducted in June 2020. The change in actuarial assumptions since the previous year have occurred due to changes in the economic environment where the plans operate.		
	The amounts, included in staff costs, recognised in profit or loss in respect of the defined benefit plans are as follows:		
	Current service cost	25	26
	Interest cost	20	24
		45	50

18. Retirement benefit obligations continued

Defined benefit plans continued

	2019 Rm	2018 Rm
The amount included on the consolidated statement of financial position arising from the group's obligations are as follows:		
Defined retirement benefit obligations		
Carrying value at beginning of year	1 216	1 229
Disposal of subsidiaries and businesses		(180)
Remeasurement in other comprehensive income	127	75
Payments to retired employees	(47)	(45)
Plan assets transferred		(4)
Currency adjustments	2	91
Amounts charged to profit or loss	45	50
Carrying value at end of year	1 343	1 216

The expected payments to retired employees for the next financial year is R43 million and the average duration of the retirement plans varies from nine to 31 years with a median of 18 years.

A quantitative sensitivity analysis for significant assumptions as at 30 June 2019 is shown below:

Assumption	Discount rate		Future pension cost	
Sensitivity level	1% increase	1% decrease	1% increase	1% decrease
(Decrease) increase in defined benefit obligation – R million	(163)	235	171	(124)

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.

19. Interest-bearing borrowings

	2019 Rm	2018 Rm
Long-term		
• Loans secured by mortgage bonds over fixed property	68	90
• Liabilities under capitalised finance leases	53	115
• Instalment sale creditors secured by assets	13	3
• Corporate bonds listed on the Bond Exchange of South Africa^		3 548
• Syndicated bank term loans	5 015	3 958
• Revolving credit facility term loans	59	2 904
• Notice loans	27	533
• Term and bilateral loans	1 500	1 818
• Unsecured loans	57	13
Long-term	6 792	12 982
Short-term – Unsecured loans, call borrowings and bank overdrafts	620	2 444
Total borrowings at amortised cost	7 412	15 426
Less: Borrowing associated with assets classified as held for distribution to owners of Imperial		(7 328)
Interest-bearing borrowings associated with continuing operations	7 412	8 098
Less: Current portion of interest-bearing borrowings	820	1 472
Longer-term borrowings	6 592	6 626

^ Redeemed on 6 August 2018.

19. Interest-bearing borrowings continued

Interest rate analysis	Current year interest rates (%)	2019 Rm	2018 Rm
Fixed			
• Mortgage bonds, capitalised finance leases and instalment sale creditors	0,1 – 6,5	110	152
• Syndicated bank term loans	1,3 – 3,8	2 462	1 946
• Term loans, bilateral loan and corporate bonds			1 573
Variable linked			
• Mortgage bonds, capitalised finance leases and instalment sale creditors	0,1 – 13,8	24	56
• Syndicated bank term loans – International	1,3 – 3,8	2 425	2 012
• Syndicated bank term loans – African Regions	0,1 – 0,1	128	
• Revolving credit facility term loans	7,5 – 8,6	59	2 904
• Notice loans	7,0 – 7,0	27	533
• Unsecured loans	0,1 – 14,0	57	13
• Term loans	8,5 – 8,7	1 500	1 003
• Floorplans and term loans			4 110
• Bank overdrafts	0,1 – 12,0	620	1 124
		7 412	15 426

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

Capitalised finance leases	One to five years Rm	Less than one year Rm	2019 Rm	2018 Rm
Total minimum lease payments	23	36	59	131
Amounts representing finance charges	(3)	(3)	(6)	(16)
Present value of minimum lease payments	20	33	53	115

Details of encumbered assets	Carrying value of debt secured Rm	Carrying value of assets encumbered Rm	Property, plant and equipment Rm	Transport fleet Rm	Vehicles for hire Rm	Inventories Rm	Trade receivables Rm
Debt Instruments							
Mortgage bonds, capitalised finance leases, instalment sale creditors and other secured debt	421	754	75	160		235	284
2019	421	754	75	160		235	284
2018	1 878	2 250	116	287	414	898	535

19. Interest-bearing borrowings continued

Maturity analysis of interest-bearing borrowings by geography	2023 and onwards Rm	2022 Rm	2021 Rm	2020 Rm	2019 Rm	2018 Rm
South Africa	1 466	6	3	349	1 824	8 832
Europe	75	4 885	20	68	5 048	4 754
Australia						781
Kenya	79	20	20	104	223	83
Nigeria				111	111	168
Other	15		3	188	206	808
	1 635	4 911	46	820	7 412	15 426
Maturity analysis of interest-bearing borrowings by currency						
SA Rand	1 466	6	3	349	1 824	7 869
Euro	58	2 030	17	42	2 147	1 462
British Pound		1 522			1 522	3 019
US Dollar		1 333			1 333	1 647
Australian Dollar						781
Kenyan Shilling	79	20	20	104	223	83
Nigerian Naira				111	111	168
Other	32		6	214	252	397
	1 635	4 911	46	820	7 412	15 426

Analysis of debt by denominated currency	% of total	2019 Rm	2018 Rm
SA Rand	24,6	1 824	7 869
Euro	29,2	2 147	1 462
British Pound	20,5	1 522	3 019
US Dollar	18,0	1 333	1 647
Australian Dollar			781
Kenyan Shilling	3,0	223	83
Nigerian Naira	1,5	111	168
Other	3,2	252	397
	100	7 412	15 426
Borrowing facilities			
Total direct borrowing facilities established		19 008	24 249
Less: Utilised		7 222	10 338
Unutilised borrowing capacity		11 786	13 911

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

	2019 Rm	2018 Rm
20. Other financial liabilities		
Cross-currency and interest-rate swap instruments (level 2 in the fair value hierarchy)	62	22
Contingent consideration liabilities (level 3 in the fair value hierarchy)	42	14
Put option liabilities (level 3 in the fair value hierarchy)	951	1 015
Other payables	20	158
	1 075	1 209

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 where the non-controlling shareholders of Imres B.V. have the right to put their remaining shareholding to Imperial Mobility International B.V.

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

	Dismantling and environ-mental risks	Provision for closure costs of CPG	Other	2019 Rm	2018 Rm
21. Provisions for liabilities and other charges					
At 30 June 2018					
Carrying value at beginning of year	352		169	521	1 012
Movements during the year					
Amounts added	65		56	121	322
Unused amounts reversed	(81)		(68)	(149)	(144)
Charged to profit or loss	(16)		(12)	(28)	178
Amounts utilised	(22)		24	2	(238)
Net acquisition of subsidiaries and businesses			14	14	
Currency adjustments	1		2	3	31
Provision for closure costs of CPG#		1 167		1 167	
Reclassifications	1		(20)	(19)	88
Reclassified to liabilities associated with assets held for distribution to owners of Imperial					(550)
Carrying value at end of year	316	1 167	177	1 660	521
Maturity profile					
Maturing in less than one year	110	643	94	847	349
Maturing in one to five years	195	421	59	675	94
Maturing in more than five years	11	103	24	138	78
	316	1 167	177	1 660	521

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

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

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

		2019 Rm	2018 Rm
22.	**Trade and other payables**		
	Trade payables and other accruals	10 019	9 464
	Contract liabilities	44	87
	Derivative financial instruments (level 2 in the fair value hierarchy)	5	15
		10 068	9 566
	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)	10 830	9 210
	Revenue earned over time (rendering of services)	38 890	39 355
		49 720	48 565
	Revenue includes:		
23.2	Revenue received from the group's associates and joint ventures		
	Rendering of services	44	47
		44	47
23.4	Revenue based on service capability		
	Freight management^	24 877	22 997
	Road and rail transportation management	12 358	11 537
	River and short sea transportation management	6 396	5 977
	Express freight consolidation	6 046	5 411
	Air and ocean transportation management	77	72
	Distributorship^	10 539	8 999
	Wholesaling	954	946
	Sourcing and procurement	1 262	886
	Non-exclusive distributorships	1 619	1 435
	Exclusive distributorships	6 704	5 732
	Contract logistics^	14 603	15 041
	Warehousing management	4 076	3 938
	Synchronisation management	5 329	4 813
	Professional and managed services	768	729
	Integrated contract logistics	3 484	3 101
	Distribution management	946	2 460
	Head office and eliminations^	(299)	(189)
	Businesses held for sale^		1 717
		49 720	48 565

* 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.

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

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

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.

Distributorships: 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.

	2019 Rm	2018 Rm
23. Revenue continued		
23.5 Revenue based on industry verticals		
Automotive	5 279	5 102
Chemicals and energy	7 359	6 924
Consumer	10 193	11 451
Healthcare	7 258	6 047
Industrial	8 276	7 873
Logistics	8 263	7 666
Other markets	3 092	3 502
	49 720	48 565

23.6 Timing of revenue recognition

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

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

	2019 Rm	2018 Rm
23.7 Assets related to contracts with customers		
The group has recognised the following assets related to contracts with customers:		
Contract assets	875	872

There has not been a significant movement in contract assets. No loss provision has been raised on the contract assets until goods or services have been delivered fully and invoicing takes place. There are currently no long-term contract costs that have been capitalised as contracts are less than 12 months.

23.8 Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried forward contract liabilities and how much relates to performance obligations that were satisfied in the prior years.

	2019 Rm	2018 Rm
Revenue recognised that was included in contract liabilities at the beginning of the year	87	139

Contract liabilities at 30 June 2019 amounted to R44 million (2018: R87 million).

	2019 Rm	2018 Rm
24. Net operating expenses*		
Purchase of goods	(9 652)	(8 175)
Changes in inventories	256	439
Cost of outside services	(20 969)	(19 486)
Staff costs	(10 434)	(10 221)
Staff share-based costs	(141)	(130)
Other operating income	886	637
Other operating costs	(6 110)	(7 746)
	(46 164)	(44 682)
The above includes:		
Auditors' remuneration		
• Audit fees	(54)	(53)
• Other services	(1)	(3)
	(55)	(56)
Rental and operating lease charges		
• Property	(796)	(785)
• Plant and equipment	(569)	(605)
• Vehicles	(14)	(3)
• Transport fleet	(284)	(220)
• Other	(1)	(5)
	(1 664)	(1 618)
25. Depreciation, amortisation, impairments and recoupments*		
25.1 Depreciation, amortisation, impairments and recoupments		
Depreciation and amortisation		
Intangible assets	(77)	(76)
Total amortisation of intangible assets	(477)	(493)
Less: Amortisation of intangible assets arising on business combinations	400	417
Property, plant and equipment	(380)	(383)
Transport fleet	(626)	(596)
	(1 083)	(1 055)
Impairments		
Equipment and furniture		(1)
Intangible assets	(6)	(15)
	(6)	(16)
Profit (loss) on disposal		
Intangible assets	(3)	1
Plant and equipment	(3)	3
Transport fleet	40	52
	34	56
	(1 055)	(1 015)
25.2 Recoupments from sale of properties, net of impairments		
Recoupments from sale of properties	10	33
Impairment of properties	(16)	(11)
	(6)	22

* 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.

	2019 Rm	2018 Rm
26. Other non-operating items*		
Remeasurement of financial liabilities at FVTPL	51	73
Remeasurement of put option liabilities	51	42
Gain on remeasurement of contingent consideration liabilities		31
Capital items	(1 163)	(186)
Impairment of goodwill	(1 139)	(26)
Profit (loss) on disposal of subsidiaries, businesses and associates	64	(149)
Impairment of associates and loans advanced to associates	(73)	
Business acquisition costs	(15)	(11)
	(1 112)	(113)
27. Net finance cost*		
Interest paid on financial liabilities not fair valued through profit or loss	(537)	(669)
Fair value loss on interest-rate swap instruments	(4)	(5)
Finance cost including fair value loss on interest-rate swap instruments	(541)	(674)
Finance income on financial assets not fair valued through profit or loss	63	105
Gain on redemption of preference shares	63	
	(415)	(569)
28. Income tax expense*		
Current tax		
• Current year charge	(598)	(599)
• Prior year over (under) provisions	10	(24)
	(588)	(623)
Deferred tax		
• Current year	155	49
• Prior year over (under) provisions	5	(10)
• Impairment reversal	21	
	181	39
Capital gains tax		
• Current year	(25)	(11)
	(25)	(11)
Withholding taxes	(39)	(25)
	(471)	(620)

* 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.

	2019 %	2018 %
28. Income tax expense* continued		
Reconciliation of tax rates		
Profit before tax, excluding share of result of associates and joint ventures – effective tax rate	91,5	35,6
Income tax effect of:		
• Profit (loss) on sale of businesses and associates	3,5	(2,6)
• Profit on sale of non-current assets subject to capital gains tax	1,3	0,9
• Impairment of goodwill and other intangible assets	(62,3)	(0,4)
• Impairment of investment in associates	(4,0)	(0,1)
• Business acquisition costs	(0,8)	(0,2)
• Remeasurement of put option liabilities and contingent consideration liabilities	2,8	0,7
• Disallowable expenses net of exempt income	(6,6)	(2,1)
• Non-taxable gain on redemption of preference shares	3,4	
• Foreign tax differential	4,7	1,4
• Tax assets recognised, net of impairment	4,1	(1,2)
• Withholding taxes	(7,6)	(1,5)
• Capital gains tax	(4,9)	(0,6)
• Prior year net under (over) provisions	2,9	(1,9)
	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, interest incurred on the non-redeemable non-participating preference shares, depreciation on leasehold improvements and expenses incurred in the production of non-taxable income.

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

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

	2019 Rm	2018 Rm
29. Earnings per share		
Earnings		
Net profit attributable to owners of Imperial – basic earnings and diluted earnings	3 441	3 273
Continuing operations	(51)	1 011
Discontinued operations	3 492	2 262
Weighted average number of ordinary shares in issue (million)	193,9	194,7
Basic earnings per share (cents)	1 775	1 681
Continuing operations	(26)	519
Discontinued operations	1 801	1 162
Weighted average number of ordinary shares for basic earnings per share (million)	193,9	194,7
Adjusted for weighted average potential ordinary shares resulting from:*		
• Dilutive effect of shares allocated in terms of the share schemes (million)		1,1
• Potential disposal of shares held by an associate (million)		4,5
Weighted average number of ordinary shares for diluted earnings per share (million)	193,9	200,3

* The shares were anti-dilutive in the current year due to the loss per share from continuing operations.

Diluted earnings per share (cents)	1 775	1 634
Continuing operations	(26)	505
Discontinued operations	1 801	1 129

29. Earnings per share continued

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

R million	Gross amount	Income tax	Non-controlling interest	2019	2018
Earnings – basic and diluted				3 441	3 273
Recoupment for the disposal of property, plant and equipment (IAS 16)	(47)	9	3	(35)	(72)
Loss on disposal of intangible assets (IAS 38)	3			3	5
Impairment of property, plant and equipment and transport fleet (IAS 36)	16	(5)		11	11
Impairment of intangible assets (IAS 36)	6	(2)		4	10
Impairment of goodwill (IAS 36)	1 139		13	1 152	26
Impairment of investment in associates and joint ventures (IAS 28)	26			26	8
Loss on disposal of subsidiaries and businesses (IFRS 10)					141
Gain on disposal of investment in associate (IAS 28)	(64)	8		(56)	
Remeasurements included in share of result of associates	(3)			(3)	(1)
Post-tax gain on discontinuation of Motus	(4 303)	(36)		(4 339)	
Recoupments in Motus discontinued operation					(345)
Impairment of CPG goodwill (IAS 36)	261			261	
Re-measurement of assets on discontinuation of CPG	466	(125)		341	1
Headline earnings – basic and diluted				806	3 057

	2019	2018
Headline earnings – basic and diluted	806	3 057
Continuing operations	1 051	1 139
Discontinued operations	(245)	1 918
Basic headline earnings per share (cents)^	416	1 570
Continuing operations	542	585
Discontinued operations	(126)	985
Diluted headline earnings per share (cents)^	416	1 526
Continuing operations	542	569
Discontinued operations	(126)	957

^ 2018 headline earnings per share re-presented for the CPG discontinued operations.

30. Notes to the statement of cash flows

The notes to the consolidated statement of cash flows include cash flows for discontinued operations. This differs to the notes to the consolidated statement of profit or loss which excludes amounts for the discontinued operations.

		2019 Rm	2018 Rm
30.1	Cash generated by operations before interest and taxes paid		
	Profit before net financing costs	4 520	6 162
	Continuing operations	930	2 312
	Discontinued operations (Motus and CPG)	3 590	3 850
	Adjusted for:		
	Depreciation, amortisation, impairment and recoupments	1 123	2 435
	Recoupments from sale of properties, net of impairments	6	(639)
	Amortisation of intangible assets arising on business combinations	400	432
	Impairment of goodwill	1 139	92
	Loss on disposal of investments in associates, including loan impairments^	9	8
	(Profit) loss on disposal of subsidiaries, businesses and associates, including loss on discontinuance of CPG~	(2 414)	147
	Impairment losses of other financial assets	1	184
	Net movement on interest rate swaps	1	(4)
	Fair value gains on investments	(59)	(62)
	Foreign exchange losses (gains)	21	(51)
	Fair value losses	9	25
	Recognition of share-based costs	181	219
	Net movement in insurance, investments, maintenance and warranty contracts	(28)	(175)
	Remeasurement of contingent considerations		(31)
	Remeasurement of put option liabilities	(51)	(41)
	Business acquisition costs	15	19
	(Decrease) increase in retirement benefit obligations	(2)	1
	Cash generated by operations before changes in working capital	4 871	8 721
	Working capital movements		
	(Increase) decrease in inventories	(2 591)	1 411
	Increase in trade, other receivables and contract assets	(303)	(1 023)
	Increase in trade and other payables and provisions	1 360	423
		3 337	9 532
30.2	Acquisition of subsidiaries and businesses		
	Goodwill	32	841
	Intangible assets	1	243
	Investments, loans, associates and joint ventures	91	
	Property, plant and equipment	15	413
	Inventories	15	2 364
	Trade, other receivables and contract assets	23	833
	Cash resources	78	235
	Net deferred tax asset (liabilities)	1	(38)
	Non-controlling interests	2	(191)
	Other financial liabilities		(198)
	Interest-bearing borrowings	(16)	(392)
	Provisions for liabilities and other charges	(3)	
	Trade and other payables	(72)	(2 582)
	Net current tax liabilities		1
	Purchase consideration transferred	167	1 529
	Contingent consideration		(102)
	Business acquisition costs	15	19
	Cash resources acquired	(78)	(235)
	Cash flow on acquisition	104	1 211

^ Refer to note 26.
~ Refer to note 13.

	2019 Rm	2018 Rm
30. Notes to the statement of cash flows continued		
30.3 Disposal of subsidiaries and businesses		
Goodwill		628
Intangible assets		142
Investments, loans, associates and joint ventures		17
Property, plant and equipment	11	1 053
Transport fleet	3	144
Inventories		294
Trade, other receivables and contract assets	51	763
Cash resources	(5)	250
Premium paid on purchase of non-controlling interest		1
Non-controlling interests	(4)	(65)
Net deferred tax assets (liabilities)		(35)
Retirement benefit obligations		(180)
Interest-bearing borrowings	(9)	(105)
Net current tax liabilities	(2)	(1)
Provisions for liabilities and other charges	(2)	
Trade and other payables	(35)	(439)
Net assets disposed	8	2 467
Cash resources disposed	5	(250)
Loss on disposal of subsidiaries and businesses	(1)	(147)
Cash flow on disposal	12	2 070
30.4 Net replacement capital expenditure – excluding rental assets		
Expenditure		
• Intangible assets	(22)	(163)
• Plant and equipment	(295)	(664)
• Transport fleet	(785)	(627)
	(1 102)	(1 454)
Proceeds from disposals		
• Intangible assets	7	1
• Plant and equipment	64	109
• Transport fleet	294	336
	365	446
Net expenditure		
• Intangible assets	(15)	(162)
• Plant and equipment	(231)	(555)
• Transport fleet	(491)	(291)
	(737)	(1 008)

	2019 Rm	2018 Rm
30. Notes to the statement of cash flows continued		
30.5 Net increase (decrease) in other interest-bearing borrowings		
The following are significant cash repayments of amounts borrowed and cash proceeds from issuing debt instruments. For more detailed movements on interest-bearing borrowings refer to note 19.		
Settlement of listed corporate bonds	(3 548)	(1 750)
Repayment of revolving credit facility	(2 845)	(1 797)
Repayment of bilateral and syndicated bank term loans	(2 142)	(1 031)
Proceeds from bilateral and syndicated bank term loans	1 057	
Interest-bearing borrowings settled and unbundled	8 158	
Draw down on revolving credit facility		727
Other movements	148	(531)
	828	(4 382)
30.6 Cash resources		
Cash resources	1 646	2 818
Cash resources included in assets held for distribution to owners of Imperial		1 483
	1 646	4 301

31. Ordinary dividends

Interim

- In the current year a dividend of 135 cents per share was paid on 25 March 2019.
- In the prior year a dividend of 323 cents per share was paid on 26 March 2018.

Final

- A dividend of 109 cents per share is payable on 30 September 2019.
- In the prior year a dividend of 387 cents per share was paid on 1 October 2018.

Unbundling dividend

On 22 November 2018 Imperial distributed its interest in Motus Holdings Limited to its ordinary shareholders by way of a distribution in specie amounting to R17 058 million.

Dividends are reflected gross of tax.

	2019 Rm	2018 Rm
32. Commitments		
Capital expenditure commitments		
Contracted	207	202
Authorised by directors but not contracted	5	14
	212	216

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

32. Commitments continued

The operating lease payables and receivables detailed below relate to lease commitments.

	More than five years Rm	One to five years Rm	Less than one year Rm	2019 Rm	2018 Rm
Operating lease payables					
Property	1 543	1 643	843	4 029	4 729
Plant and equipment	89	1 022	501	1 612	2 446
Transport fleet	146	672	480	1 298	471
	1 778	3 337	1 824	6 939	7 646
Operating lease receivables					
Property, plant and equipment	1	2	8	11	140
	1	2	8	11	140

	2019 Rm	2018 Rm
33. Contingent liabilities		
Guarantees issued by Imperial Logistics Limited	280	312
Guarantees issued by Imperial Logistics International GmbH, including a R273 million guarantee issued on behalf of Neska in respect of property rentals but with a counter guarantee for a similar value		398
Other contingencies including litigations	394	248
	674	958

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.

Related-party transactions during the year

Imperial was paid for services relating to treasury, tax and secretarial by its former subsidiary, Motus. These costs were recovered through an administration fee amounting to R9 million.

Imperial withheld 264 308 Motus shares valued at R22 million on the date of unbundling from treasury shares that it had prior to unbundling of Motus in order to hedge part of the DBP share scheme granted prior to the unbundling of Motus.

Imperial Logistics Limited transferred 25% of the issued share capital of a newly incorporated entity, Imperial Logistics Advance (Pty) Limited, with an annual turnover of approximately R3 500 million, to Afropulse Group (Pty) Limited for a cash consideration of R200 million. Afropulse Group, the selected strategic broad-based black economic empowerment partner, is a wholly black woman-owned business. As such, the transaction resulted in Imperial Logistics Advance being a more than 51% black-owned and more than 30% black woman-owned enterprise contributing to enhancing Imperial Logistics' relevance and competitiveness in South Africa, and that of its clients. One of the Afropulse Group shareholders and directors is a director at Imperial Logistics and their interest in this contract was declared and were excused from any meetings to discuss this transaction.

34. Related-party transactions continued

Interest of directors in contracts

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

Subsidiaries

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

Associates and joint ventures

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

Details of revenue derived from associates and joint ventures are outlined in note 36.

	2019 Rm	2018 Rm
Key management personnel		
Key management personnel are directors and those executives having authority and responsibility for planning, directing and controlling the activities of the group.		
Key management personnel remuneration comprises:		
Non-executive directors' fees	9	9
Short-term employee benefits	84	67
Long-term employee benefits	4	3
	97	79
Number of key management personnel	9	8
Net gains on share options	4	9
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	17
The group paid for legal services, on an arm's length basis, to a firm of attorneys in which a previous director of the company has an interest, amounting to:	7	10

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

35. Financial instruments

35.1 Financial risk factors

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

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

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

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

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

35. Financial instruments continued

35.1 Financial risk factors continued

35.1.1 Market risk

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

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

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

35.1.2 Currency risk

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

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

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

Divisional currency risk

Logistics Africa

The risk in this division relates to certain transactions in foreign currencies, which result in foreign currency denominated debtors and creditors. 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. No net investment hedges are in place.

Logistics International

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

35. Financial instruments continued

35.1 Financial risk factors continued

35.1.2 Currency risk continued

Divisional currency risk continued

Logistics International continued

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 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
2019 – Bought				
US Dollar	19	12,85	248	247
Euro	4	13,66	55	56
Pound Sterling	1	14,40	7	7
South African Rand	7	0,99	6	7
			316	317
2019 – Sold				
Ghanaian Cedi	16	0,19	3	3
2018 – Bought				
US Dollar	22	12,71	285	294
Euro	1	15,33	19	20
			304	314
2018 – Sold				
Ghanaian Cedi	235	0,20	48	47

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

The impact from a 10% movement in the valuation of the Rand would approximately have a R23 million (2018: R20 million) impact on the group's equity. The 10% sensitivity rate is based on management's assessment of a reasonable possible change in foreign exchange rates over the foreseeable future, with regards to market value. The 10% sensitivity rate is an after tax rate.

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

35.1.3 Interest rate risk

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

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

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

The interest rate profile of total borrowings is reflected in note 19.

The group has entered into interest rate derivative contracts that entitle it to receive interest at floating rates on notional principal amounts and oblige it to pay interest at fixed rates on the same amounts. These instruments are considered to be highly effective.

Cash flows of the interest rate swaps are aligned to the cash flows of the underlying debt instruments.

Details of the interest rate derivative instruments at 30 June 2019 were as follows, in both instances the group has swaps from variable interest rates to fixed interest rates. The swaps are set to mature by June 2020.

35. Financial instruments continued

35.1 Financial risk factors continued

35.1.3 Interest rate risk

	Notional amount Rm	Variable effective rate (%)	Fixed derivative rate (%)
Syndicated bank term loans	**2 489**	**1,11**	**1,36**
Syndicated bank term loans	**1 500**	**8,70**	**9,19**

The impact of a 50 basis points increase in interest rates will have an annualised R3 million (2018: R11 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 financial loss to the group. At 30 June 2019 the group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, arises from the carrying amount financial assets as stated in the statement of financial position and the maximum amount the group will have to pay if the financial guarantees are called upon.

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

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

The carrying amount of financial assets represents the maximum credit exposure on 30 June 2019. Some of the financial assets below were given as collateral for any security provided. Refer to note 19 for further details.

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

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

Cash resources

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

Trade receivables

Included in trade receivables are trade accounts and lease debtors.

Trade accounts receivable consist of a large, widespread customer base. Group companies monitor the financial position of their customers on an ongoing basis. Creditworthiness of trade receivables is assessed when credit is first extended and is reviewed regularly thereafter. The granting of credit is controlled by the application of account limits. Where considered appropriate, use is made of credit guarantee insurance.

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

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

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

35. Financial instruments continued

35.1 Financial risk factors continued

35.1.4 Credit risk continued

Trade receivable continued

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	Life-time 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	Life-time 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	Life-time ECL – credit impaired
Write-off	There is evidence indicating that the group has no realistic prospect of recovery	Amount is written off

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

Receivables	Expecting loss model	Gross amount Rm	Loss allowance Rm	Net carrying amount Rm
Trade receivables	Lifetime ECL simplified approach	8 408	(365)	8 043
Lease receivables	Lifetime ECL simplified approach	10		10
		8 418	(365)	8 053

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

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

	Not past due Rm	< 30 days Rm	> 30 days Rm	> 60 days Rm	> 90 days Rm	> 120 days Rm	Total Rm
Expected credit loss rate		0,4%	1,2%	16,8%	67,5%	90,0%	
Gross amount outstanding	6 850	738	330	101	80	319	8 418
Lifetime ECL allowance		(3)	(4)	(17)	(54)	(287)	(365)
	6 850	735	326	84	26	32	8 053

Of the trade receivables that are past due R117 million is subject to enforcement activity. The gross contractual amount outstanding on trade receivables that have been written off that are still subject to enforcement activity amount to R5 million.

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

35. Financial instruments continued

35.1 Financial risk factors continued

35.1.4 Credit risk continued

Trade receivable continued

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

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

The movement in expected credit loss allowance is detailed below.

	2019 Rm	2018 Rm
Balance at beginning of year	384	565
Reclassified	(53)	
Acquisitions during year		45
Charged to profit or loss	64	77
Amounts utilised	(26)	(120)
Reversed to profit or loss	(3)	(1)
Reclassified to assets held for distribution to owners of Imperial		(202)
Currency adjustments	(1)	20
Balance at end of year	365	384

The effect of modifications to contractual cash flows during the year was nil.

Guarantees

Guarantees issued to bankers and others, on behalf of subsidiaries, for facilities, as well as guarantees to investors in corporate bonds issued, are disclosed in note 17 to the company annual financial statements.

35. Financial instruments continued

35.1 Financial risk factors continued

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 19.

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

	Contractual cash flows Rm	Less than one year Rm	One to five years Rm	More than five years Rm
Maturity profile of financial assets				
Listed investments	19		19	
Loans receivable	164	103	29	32
Gross trade and lease receivables	8 418	8 418		
Current derivative financial assets	2	2		
2019	**8 603**	**8 523**	**48**	**32**
2018	9 108	8 988	88	32

During the year trade receivables with a value of R972 million (2018: R707 million) were sold as part of a factoring arrangement. The group retains no continuing involvement with these trade receivables.

	Carrying amount Rm	Contractual cash flows Rm	Less than one year Rm	One to five years Rm	More than five years Rm
Maturity profile of financial liabilities					
Interest-bearing borrowings	7 412	8 035	983	6 968	84
Other financial liabilities	1 075	1 075	34	291	750
Trade payables and accruals	10 019	10 019	10 019		
Current derivative financial liabilities	5	5	5		
2019	**18 511**	**19 134**	**11 041**	**7 259**	**834**
2018	26 114	28 443	13 715	12 920	1 808

35. Financial instruments continued

35.2 Fair value measurement

35.2.1 Fair value hierarchy

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

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

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

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

The following table shows the classification of financial instruments. Instruments carried at fair value are further categorised into the appropriate fair value hierarchy.

	IAS 39	IFRS 9	Carrying value Rm	At fair value Level 1 Rm	At fair value Level 2 Rm	At fair value Level 3 Rm	At cost/ amortised cost Rm
Financial assets							
Listed investments	Available for sale	FVTPL	19	19			
Loans receivable	Loans and receivables	Amortised cost	164				164
Trade receivables	Loans and receivables	Amortised cost	8 053				8 053
Other receivables	Loans and receivables	Amortised cost	869				869
Foreign exchange contracts	FVTPL	FVTPL	2		2		
Cash resources	Loans and receivables	Amortised cost	1 646				1 646
Maximum credit exposure			10 753	19	2		10 732
Financial liabilities							
Interest-bearing borrowings	Loans and receivables	Amortised cost	7 412				7 412
Other financial liabilities			1 075		62	993	20
Cross-currency and interest rate swap derivatives	Available for sale	FVTOCI	62		62		
Contingent consideration liabilities	FVTPL	FVTPL	42			42	
Other loans payable	Loans and receivables	Amortised cost	20				20
Put option liability	FVTPL	FVTPL	951			951	
Trade and other payables			10 024		5		10 019
Trade payables and accruals	Loans and receivables	Amortised cost	10 019				10 019
Foreign exchange contracts and cross-currency swaps	FVTPL	FVTPL	5		5		
			18 511		67	993	17 451

IFRS 9 – Financial Instruments

Classification and measurement of financial instruments

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

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

35. Financial instruments continued

35.2 Fair value measurement continued

35.2.2 Level 3 sensitivity information

The fair values of the level 3 financial liabilities of R993 million were estimated by applying an income approach valuation method including a present value discount technique.

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

The following table shows how the fair value of the level 3 financial liabilities as at 30 June 2019 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	951	19	(20)
Contingent consideration liabilities	Income approach	Assumed profits	10	42		(3)

Movements in level 3 financial instruments carried at fair value

The following table shows a reconciliation of the carrying values at the beginning and end of the year of level 3 financial liabilities at 30 June 2019:

	Put option liabilities Rm	Contingent consideration liabilities Rm	2019 Rm	2018 Rm
Carrying value at beginning of year	1 015	14	1 029	1 598
Arising on buy-out of non-controlling interest	(39)	35	(4)	102
Fair valued through profit or loss	(51)		(51)	(73)
Settlements		(7)	(7)	(100)
Currency adjustments	26		26	84
Carrying value at end of year	951	42	993	1 029

Transfers between hierarchy levels

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

35. Financial instruments continued

35.3 Capital management

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

The group has externally imposed capital requirements in terms of debt covenants on bank facilities. The covenant requires the group to maintain a net debt to earnings before interest, taxation, depreciation and amortisation (EBITDA) of below 3,25:1. The ratio at 30 June 2019 is 1,6:1 (2018: 1,6:1). Also, interest cover shall not be less than 3,00:1. The ratio at 30 June 2019 is 8,6:1.

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 less cash resources.

	2019 Rm	2018 Rm
Interest-bearing borrowings	7 412	15 867
Less: Cash resources	1 646	4 301
Net debt	5 766	11 566
Total equity	8 647	23 125
Gearing ratio	66,7%	50,0%

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

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

36. Interest in other entities

36.1 Composition of the group

Imperial Logistics is mainly an African and Eurozone logistics provider of outsourced, integrated freight management, contract logistics and distributorships – customised to ensure the 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 2019.

The group holds majority voting rights in all of its subsidiaries. Non-controlling shareholders have significant interests in five of the group's subsidiaries. Material associates to the group are MDS Logistics and Ukhamba Holdings. 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 UA	Netherlands	100	Business conducted by Imperial Holdings International Cooperation UA and its subsidiaries comprises integrated logistics solutions. Further details on the composition of Imperial Holdings International Cooperation UA is provided in note 36.1.2.
Imperial Logistics South Africa Holdings (Pty) Limited	South Africa	100	Imperial Logistics South Africa Holdings (Pty) Limited is the holding company of the South African Logistics group. Business conducted by the South African Logistics group comprises transportation, logistics and group services. Details on the businesses included are provided in note 36.1.3.
Imperial Capital Limited	South Africa	100	Imperial Capital is a registered Domestic Treasury Management Company (DTMC) entity. It holds 88% interest in Eco Health Limited, 70% in Surgipharm Limited and Imperial's interest in other African logistics and transport operations. Eco Health is a leading distributor of pharmaceutical products in Nigeria. Based in Lagos, Nigeria, the company also has operations in Ghana and Dubai. 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.

36. Interest in other entities continued

36.1 Composition of the group continued

36.1.2 Principal subsidiaries of Imperial Holdings International Cooperation UA

Subsidiary	Place of incorporation	% owned	Nature of business
Imperial Mobility Finance B.V.	Netherlands	100	The subsidiary is a finance company that obtains funding for various entities within the group.
Imperial Logistics International B.V. & Co.KG	Germany	100	The subsidiary is the holding company for all German and other European subsidiaries. Further it houses the shared services and the central IT function of the International Logistics Group.
Imperial Shipping Services GmbH	Germany	100	The subsidiary houses a large part of the European Shipping business. Imperial Shipping implements efficient transport solutions on Europe's waterways. It has a fleet of inland vessels used on European waterways, primarily active in the transport of dry bulk cargo.
Imperial Shipping Paraguay S.A.	Germany	95	Imperial Shipping Paraguay implements transportation of goods and materials on the South American waterways. Currently it has a fleet of inland vessels used on the Rio Parana river, transporting iron ore, grain and other bulk products between Brazil and Argentina.
Imperial Industrial Logistics GmbH	Germany	100	Specialises in contract logistics for the steel industry and in spare parts logistics for machinery and equipment manufacturers including warehousing, transport and value added services.
Imperial Automotive Logistics GmbH	Germany	100	A contract logistics specialist providing a broad range of services from the beginning to the end of the supply chain for the automotive industry including OEMs and suppliers.
Imperial Chemical Logistics GmbH	Germany	100	Imperial Chemical Logistics and subsidiaries specialise in chemical logistics, offering transport, warehousing, distribution and value-added services such as packaging on behalf of its customers.
Imres BV	Netherlands	90	Imres, a wholesaler of pharmaceutical and medical supplies to NGOs, hospitals and retailers, operates in the international medical relief industry, targeting mainly African emerging countries with developing healthcare markets and needs. Further details are provided in non-controlling interest, refer to note 36.2.
Palletways Group Limited	United Kingdom	95,2	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.

36. Interest in other entities continued

36.1 Composition of the group continued

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

Subsidiary	Place of incorporation	% owned	Nature of business
Imperial Logistics South Africa Group (Pty) Limited	South Africa	100	These businesses provide a complete logistics solution, including transportation, warehousing, distribution and related value-added services in South Africa. This entity also provides group services and the treasury function of the Logistics Group. Details on the business are provided in note 36.1.4.
Pharmed Pharmaceutical (Pty) Limited	South Africa	62,5	Pharmed specialises in the wholesale supply and distribution of healthcare-related products – including ethical, generic, patent and homeopathic medicines; surgical, dental and veterinary products; and medical equipment.
Itumele Bus Lines (Pty) 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 (Pty) 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 (Pty) 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 tons per month throughout southern Africa by using strategic asset owners. Tanker Services Food & Chemicals provides transportation of liquid and dry bulk products throughout South Africa. Tanker Services Fuel & Gas provides road transportation, both primary (transportation from Durban and Cape Town ports to inland destinations) and secondary (transportation to mining operations and retail outlets) of bulk fuel and gas products.

36. Interest in other entities continued

36.1 Composition of the group continued

36.1.4 Principal businesses of Imperial Logistics South Africa Group (Pty) Limited

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

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 (%) 2019	Interest held by NCI (%) 2018
Imres B.V.	Africa	African Regions	10	10
Eco Health Limited	Nigeria	African Regions	12	13
Surgipharm Limited	Kenya	African Regions	30	30
Goldfields Trucking (Pty) Ltd	South Africa	South Africa	40	40
Palletways Group Limited	United Kingdom	International	5	5

The following is summarised financial information for Imres, Eco Health, Surgipharm, 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.

	Imres		Eco Health		Surgipharm		Goldfields		Palletways	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm	2019 Rm	2018 Rm	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Revenue	1 260	886	2 913	2 381	1 058	959	1 107	1 119	5 630	5 020
Net profit for the year	110	48	202	140	58	64	76	81	180	227
Net profit attributable to non-controlling interests	11	5	26	25	17	12	30	32	9	11
Other comprehensive income	4	45	2	33	3	4			(47)	231
Total comprehensive income	114	93	204	173	61	68	76	81	133	458
Income attributable to non-controlling interests	11	9	28	31	18	16	30	32	7	22
Total assets	1 288	851	2 314	1 655	621	645	603	563	4 467	4 700
Total liabilities	862	212	1 840	1 276	416	461	367	337	948	1 158
Total equity	426	639	474	379	205	184	236	226	3 519	3 542
Equity attributable to non-controlling interests	45	64	56	50	62	55	94	90	176	169
Dividends paid to non-controlling interests	18	5	29	47	11		26	25		
Cash paid for non-controlling interests			39	582						
Put option liabilities	193	175	758	840						

	2019 Rm	2018 Rm
36. Interest in other entities continued		
36.3 Investment in associates and joint ventures		
Unlisted shares at cost	380	415
Share of post-acquisition reserves	87	95
Carrying value of shares – equity accounted	467	510
Indebtedness by associates and joint ventures	53	242
• Less than one year	1	154
• More than one year	52	88
	520	752

The following associates are material to the group. All of the group's associates and joint ventures are equity accounted.

	MDS Logistics PLC	Ukhamba Holdings (Pty) Limited
Nature of relationship with the group	Strategic supply chain provider, providing access to new markets in Africa	Imperial's B-BBEE partner
Principal place of business/Country of incorporation	Nigeria	South Africa
Ownership interest	49,0%	46,9% of silo/23,45% effective

The following is summarised financial information for MDS and Ukhamba, based on their respective financial statements prepared in accordance with IFRS adjusted for significant transactions or events that occurred between the associates' year-end and that of Imperial, modified for fair value adjustments made at the time of acquisition and differences in accounting policies.

	MDS Logistics		Ukhamba Holdings	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Revenue	228	216		
Net profit (loss) for the year	35	27	(454)	(65)
Other comprehensive income (loss)	23	22	(753)	378
Total comprehensive income (loss)	58	49	(1 207)	313
Total assets	624	594	2 528	4 087
Total liabilities	(82)	(77)	(1 785)	(2 229)
Total equity	542	517	743	1 858
Group's proportional interest in net assets of investee at beginning of year	254	241	871	734
Share of total comprehensive income (loss)	29	24	(402)	146
Derecognised with unbundling of Motus			(287)	
Dividends received from associate	(17)	(11)	(8)	(9)
Group's proportional interest in net assets of investee	266	254	174	871
Reversal of fair value adjustments on Imperial shares and losses that exceed the group's net interest in the associate			(174)	(871)
Carrying value of interest in investee at end of year	266	254		
Dividend paid to associate			79	93

36. Interest in other entities continued

36.3 Investment in associates and joint ventures continued

Immaterial associates and joint ventures

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

	Associates	
	2019 Rm	2018 Rm
Group's share of:		
• Net profit for the year	29	43
• Other comprehensive loss	(5)	
Total comprehensive income	24	43
Carrying value of interest in immaterial associates	201	256

36.4 Business combinations during the year

There were no significant business combinations during the year.

37. Events after the reporting period

Dividends declared

For more detail please refer to note 31 on page 67.

38. Directors' remuneration and interest in shares

38.1 Directors' remuneration

	Salary R'000	Bonus R'000	Un-bundling incentive R'000	Retirement and medical contri-butions R'000	Other benefits R'000	Directors' fees R'000	Subsidiary/ associate and sub-committee fees R'000	2019 Total R'000	2018 Total R'000
Non-executive directors									
P Cooper						284	632	916	878
GW Dempster						284	1 015	1 299	1 180
T Skweyiya						284	697	981	634
P Langeni						946	1 002	1 948	975
RJA Sparks						781	1 266	2 047	1 835
Resigned from Imperial									
S Kana						426	452	878	1 714
MV Moosa						95	234	329	552
A Tugendhaft						260	517	777	1 019
RM Kgosana									236
Y Waja									290
2019 – non-executives						3 360	5 815	9 175	9 313
Executive directors									
M Akoojee	8 954	5 100	6 000	466	120			20 640	18 750
JG de Beer~	4 409	1 750	2 000	492	179			8 830	
Resigned from Imperial									
OS Arbee	3 260		3 000	153	120			6 533	21 748
M Lamberti									34 833
Retired									
M Swanepoel	9 035		5 000	460	180			14 675	20 000
MP de Canha									5 396
2019 – executives	25 658	6 850	16 000	1 571	599			50 678	100 727
2019 – all directors	25 658	6 850	16 000	1 571	599	3 360	5 815	59 853	
2018 – all directors	45 833	52 615		1 526	753	4 133	5 180		110 040
Prescribed officers									
J Truter~	2 643	1 400		558	299			4 900	
N van der Westhuizen~	4 401	668		70	1 094			6 233	
H Bicil~	6 173	6 173		1 109	128			13 583	
	13 217	8 241		1 737	1 521			24 716	

~ Appointed during the year.

38. Directors' remuneration and interest in shares continued

38.2 Directors' interest in shares

	2019 Beneficial	2018 Beneficial
Non-executive directors		
GW Dempster	99	99
SP Kana (resigned)		9 417
RJA Sparks	40 000	40 000
	40 099	49 516
Executive directors		
M Akoojee	221 454	72 365
OS Arbee (resigned)		161 476
JG de Beer~	76 817	
M Swanepoel (retired)		144 147
	298 271	377 988
	338 370	427 504

~ Appointed during the year.

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

Participation in the share appreciation rights scheme (SARs)

	Commencement date	Number of rights	Price	Vesting date	Vested	Balance
Executive directors						
O Arbee (resigned from Imperial)	11 Jun 2013	77 582	195,20	15 Sep 2016	49 986	49 986
M Akoojee	11 Jun 2013	38 154	195,20	15 Sep 2016	24 583	24 583
	18 May 2016	103 976	127,77	16 Sep 2019		103 976
	21 Jun 2017	66 556	152,65	16 Sep 2020		66 556
JG de Beer~	6 Oct 2015	27 226	174,65	15 Sep 2018	27 226	27 226
	18 May 2016	81 677	127,77	16 Sep 2019		81 677
	21 Jun 2017	132 878	152,65	16 Sep 2020		132 878
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		48 373
	21 Jun 2017	57 995	152,65	16 Sep 2020		57 995
	30 Nov 2018	147 992	65,09	15 Sep 2021		147 992
N van der Westhuizen	6 Oct 2015	40 212	174,65	15 Sep 2018	40 212	40 212
	18 May 2016	117 121	127,77	16 Sep 2019		117 121
	21 Jun 2017	157 352	152,65	16 Sep 2020		157 352
	30 Nov 2018	352 960	65,09	15 Sep 2021		352 960
H Bicil	30 Nov 2018	522 783	65,09	15 Sep 2021		522 783

~ Appointed during the year.

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

38. Directors' remuneration and interest in shares continued

38.3 Incentive schemes continued

Participation in the deferred bonus scheme (DBP)

	Commencement date	Number of rights allocated	Vesting date	Number of shares committed	Forfeited	Vested during the year	Balance
Executive directors							
O Arbee (resigned from Imperial)	6 Oct 2015	36 416	15 Sep 2018	36 416		36 416	
	18 May 2016	54 003	16 Sep 2019	54 003			54 003
	21 Jun 2017	62 234	16 Sep 2020	62 234			62 234
M Swanepoel (retired)	6 Oct 2015	32 350	15 Sep 2018	32 350		32 350	
	18 May 2016	50 873	16 Sep 2019	50 873			50 873
	21 Jun 2017	60 924	16 Sep 2019	60 924			60 924
	30 Nov 2018	162 851	16 Sep 2019	162 851			162 851
M Akoojee	6 Oct 2015	22 044	15 Sep 2018	17 301	4 743	17 301	
	18 May 2016	31 940	16 Sep 2019	15 184	16 756		15 184
	21 Jun 2017	49 132	16 Sep 2020	39 880	9 252		39 880
	30 Nov 2018	142 111	15 Sep 2021	142 111			142 111
JG de Beer~	30 Nov 2018	76 817	15 Sep 2021	76 817			76 817
Prescribed officer							
J Truter~	21 Jun 2017	5 062	16 Sep 2020	5 062			5 062
	30-Nov-18	16 132	15 Sep 2021	16 132			16 132

~ Appointed during the year.

Participation in the conditional share plan (CSP)

	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
JG de Beer~	30 Nov 2018	307 267	76 817	76 817	153 633
Prescribed officers					
J Truter~	30 Nov 2018	238 132	59 533	59 533	119 066
N van der Westhuizen~	30 Nov 2018	238 132	83 346	154 786	
H Bicil~	30 Nov 2018	253 495	63 374	63 374	126 747

~ Appointed during the year.

38.4 Gains by directors on share schemes during the year

	2019 Rm	2018 Rm
Executive directors		
OS Arbee (resigned from Imperial)	6 494	8 520
M Swanepoel (retired)	5 769	7 204
M Akoojee	3 085	4 037
M Lamberti (resigned)		23 425
MP de Chana (retired)		9 894

Company statement of financial position at 30 June 2019

	Notes	2019 Rm	2018 Rm
Assets			
Interest in subsidiaries	2	12 363	12 977
Investment in associates and joint ventures			24
Deferred tax asset	3	8	
Investments			1
Trade and other receivables		2	18
Cash resources		269	
Interest in subsidiaries classified as held for distribution to owners of Imperial	2		24 095
Total assets		12 642	37 115
Equity and liabilities			
Capital and reserves			
Share capital and share premium	4	1 030	1 030
Retained earnings		9 743	35 584
Hedging reserve		(21)	
Total equity		10 752	36 614
Liabilities			
Non-redeemable, non-participating preference shares	5		441
Interest-bearing borrowings	6	1 500	
Other financial liabilities	8	32	
Trade payables, provisions and other liabilities	7	20	60
Current portion of interest-bearing borrowings	6	338	
Total liabilities		1 890	501
Total equity and liabilities		12 642	37 115

Company statement of comprehensive income for the year ended 30 June 2019

	Notes	2019 Rm	2018 Rm
Revenue	9	2 062	8 072
Net operating expenses	10	(29)	(48)
Other non-operating items	11	(9 739)	19 853
(Loss) profit before net financing income		(7 706)	27 877
Finance cost		(186)	(39)
Finance income		267	83
(Loss) profit before tax		(7 625)	27 921
Income tax expense	12	(4)	(32)
Net (loss) profit for the year		(7 629)	27 889
Other comprehensive loss that may be classified subsequently to profit or loss		(21)	
Movement in hedge accounting reserve		(29)	
Income tax relating to the movement in the hedge accounting reserve		8	
Comprehensive (loss) income for the year		(7 650)	27 889

Company statement of changes in equity for the year ended 30 June 2019

	Share capital and share premium Rm	Hedging reserve Rm	Retained earnings Rm	Total Rm
At 30 June 2017	1 030		9 008	10 038
Total comprehensive income for the year			27 889	27 889
Ordinary dividends paid			(1 313)	(1 313)
At 30 June 2018	1 030		35 584	36 614
Total comprehensive loss for the year		(21)	(7 629)	(7 650)
Ordinary dividends paid			(1 054)	(1 054)
Ordinary dividend distribution in specie on unbundling of Motus			(17 058)	(17 058)
Share repurchased and cancelled*			(100)	(100)
At 30 June 2019	1 030	(21)	9 743	10 752

* 1 560 000 shares were repurchased from Imperial Corporate Services (Pty) Ltd and were subsequently cancelled.

Company statement of cash flows for the year ended 30 June 2019

	Notes	2019 Rm	2018 Rm
Cash flows from operating activities			
Cash generated by operations	13	1 933	2 687
Finance cost paid		(186)	(39)
Finance income received	14	204	83
Tax paid	15	(4)	(34)
		1 947	2 697
Cash flows used in investing activities			
Net proceeds on disposal of subsidiaries			135
Additional investment in subsidiaries		(694)	(2 637)
Net proceeds on investments		6	70
Loans (granted) repaid from subsidiaries		(1 292)	915
Proceeds on disposal of associates			169
Settlement of contingent consideration liabilities			(38)
Net cash outflows from non-current financial liabilities		(4)	
		(1 984)	(1 386)
Cash flows used in financing activities			
Shares repurchased		(100)	
Non-redeemable, non-participating preference shares redeemed		(378)	
Dividends paid		(1 054)	(1 313)
Increase in interest-bearing borrowings		1 838	
		306	(1 313)
Net increase in cash and cash equivalents		269	(2)
Cash resources at beginning of year			2
Cash resources at end of year		269	

The following significant non-cash transaction occurred during the year:
Motus shares with a value of R17 058 million were unbundled to shareholders on 22 November 2018.

1. Accounting policies

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

1.1 Statement of compliance

The annual financial statements are stated in South African Rand and are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the group at 30 June 2019 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa, 2008.

1.2 Basis of measurement

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

1.3 Interest in subsidiaries

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

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

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

1.4 Financial instruments

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

Initial measurement

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

Subsequent measurement

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

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

Derecognition

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

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

1.5 Revenue

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

1.6 Finance costs and finance income

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

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

1.7 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.

1. Accounting policies continued

1.7 Income taxes

Deferred tax

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

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

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

Deferred tax assets are recognised for all deductible temporary differences on investments in subsidiaries, associates and joint ventures where the temporary difference will reverse in the foreseeable future and that 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 economic conditions.

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

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

1.9 IFRS standards that became effective during the year

Amendments to IFRS 9 – Financial Instruments and the new standard for revenue (IFRS 15 – Revenue From Contracts With Customers), have not had a significant impact on the company's accounting policies and methods of computation.

1.10 New and revised International Financial Reporting Standards in issue but not yet effective

IFRS 16 – Leases, applicable to the company for its 2020 year-end, introduces a single lease accounting model that requires the company as a lessee to recognise assets and liabilities for all leases with a term longer than 12 months. The company anticipates that the application of IFRS 16 will not have a material impact on the amounts reported.

	2019 Rm	2018 Rm
2. Interest in subsidiaries		
Shares at cost	12 651	12 189
Indebtedness by subsidiaries	2 457	1 161
	15 108	13 350
Less: Impairment provision	(2 745)	(373)
Interest in subsidiaries net of impairment provisions	12 363	12 977
The investment in the Motus Group was unbundled to shareholders on 22 November 2018		24 095

Details of the company's principal subsidiaries are reflected in note 36 of the consolidated annual financial statements.

		2019 Rm	2018 Rm
3.	**Deferred tax asset**		
	Movement in deferred tax		
	Current year benefit recognised in equity	8	
	Analysis of deferred tax		
	Deferred tax on interest rate swaps	8	
4.	**Share capital and share premium**		
	Authorised share capital		
	394 999 000 (2018: 394 999 000) ordinary shares of 4 cents each	15	15
	50 000 000 (2018: 50 000 000) deferred ordinary shares of 4 cents each	2	2
	15 000 000 (2018: 15 000 000) preferred ordinary shares of 4 cents each	1	1
	1 000 (2018: 1 000) redeemable preference shares of 4 cents each		
	40 000 000 (2018: 40 000 000) non-redeemable, non-participating preference shares of 4 cents each	2	2
		20	20
	Issued and fully paid share capital		
	201 242 919 (2018: 201 971 450) ordinary shares of 4 cents each	8	8
	6 867 891 (2018: 7 699 360) deferred ordinary shares of 4 cents each	1	1
		9	9
	Share premium	1 021	1 021
	Share capital and premium	1 030	1 030

For non-redeemable, non-participating preference shares see note 5.

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 five percent of the issued ordinary share capital at 30 June 2018.
- Not more than five million of the non-redeemable, non-participating preference shares.

Ordinary shares

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

Deferred ordinary shares

The deferred ordinary shares were issued to Ukhamba, the group's BBBEE partner. The shares convert into ordinary shares annually at a fixed rate of 831 469 shares. At 30 June 2019, 15 887 498 (2018: 15 056 029) deferred ordinary shares have been converted into the same amount of ordinary shares. The last conversion will be on 30 June 2025. These shares carry one vote per share and are not entitled to dividends.

Directors' interests in issued share capital

At year-end the aggregate shareholdings of the directors in the issued ordinary share capital of the company are outlined in note 38 of the consolidated annual financial statements.

	2019 Rm	2018 Rm
5. Non-redeemable, non-participating preference shares		
Non-redeemable, non-participating preference shares at cost		441

The preference shares were repurchased and delisted on 15 October 2018 at a total cost of R389 million which included a pro rata preference dividend amounting to R11 million. The repurchase resulted in a gain of R63 million which is included in finance income in profit or loss.

Interest rate analysis by type of debt instrument	Current year interest rates (%)	2019 Rm	2018 Rm
6. Interest-bearing borrowings			
• Syndicated bank term loans	8,53 – 8,70	1 501	
• Unsecured loans	7,00 – 7,25	103	
• Call borrowings	7,60 – 7,75	4	
• Bank overdrafts	6,25 – 10,25	230	
		1 838	

The company's debt is denominated in SA Rand. R1 500 million of the debt is expected to mature within four to five years with the balance maturing within one year from the end of this financial year-end.

	2019 Rm	2018 Rm
7. Trade payables, provisions and other liabilities		
Trade payables, accruals and indemnity provisions	20	60
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)	32	
The interest rate swaps were taken out to hedge the variable interest rate on the syndicated loans based on a notional value of R1 500 million. The variable interest rate on these loans which range between 8,53% and 8,70% 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	2 062	8 047
Fees received		25
	2 062	8 072
10. Net operating expenses		
The following disclosable items have been included in operating expenses:		
Admin fee paid to related party for services rendered	12	30
Auditors' remuneration	4	2
Non-executive directors' emoluments*	9	10
Professional fees	4	6

* Refer to note 38 in the consolidated annual financial statements for the executive directors' emoluments.

		2019 Rm	2018 Rm
11.	**Other non-operating items**		
	(Loss) profit on unbundling of Motus*	(7 203)	18 381
	(Loss) profit on sale of other subsidiaries and associates	(65)	1 473
	Net impairment of investments in subsidiaries and loans to subsidiaries~	(2 373)	(1)
	Net impairment of associates	(15)	
	Costs associated with the unbundling of Motus	(83)	
	Fair value loss on derivative instruments	(7)	
	Other income	7	
		(9 739)	19 853

* The loss on unbundling arose due to the difference between the value of the Motus shares that were unbundled and the carrying value at the year ended June 2018 calculated as follows:

	2019 Rm
Carrying value of Motus at beginning of year	24 095
Further investment in Motus during the year	166
Carrying value of investment at the date of unbundling	24 261
Loss on unbundling	(7 203)
Value of Motus at date of unbundling	17 058
Ordinary dividend distribution in specie on unbundling of Motus	(17 058)

~ As disclosed in the consolidated annual financial statements due to the discontinuation of CPG and impairments performed on goodwill. The fair value less cost to sell was compared to the carrying value of the investments and loans granted to subsidiaries and these were 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 forecasted 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 forecasted 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.

		2019 Rm	2018 Rm
12.	**Income tax**		
	South African normal tax		
	• Current year charge	5	30
	• Prior year overprovision	(2)	
	• Withholding tax	1	2
		4	32

Reconciliation of tax rate	2019 %	2018 %
(Loss) profit before tax – effective tax rate	(0,1)	0,1
Tax effect of:		
• Loss/profit on unbundling of Motus Logistics	26,5	18,4
• Loss/profit on sale of other subsidiaries and businesses and impairments	9,0	1,5
• Disallowable charges	0,4	(0,1)
• Exempt income	(7,8)	8,1
	28,0	28,0

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

		2019 Rm	2018 Rm
13.	**Cash generated by operations**		
	(Loss) profit before net financing costs	(7 706)	27 877
	Other non-operating items	9 663	(19 853)
	Dividend received in specie		(5 329)
	Working capital movements		
	• Decrease (increase) in trade and other receivables	16	(13)
	• (Decrease) increase in trade and other payables	(40)	5
		1 933	2 687
14.	**Finance income received**		
	Finance income	267	83
	Gain on settlement of non-redeemable, non-participating preference share	(63)	
		204	83
15.	**Tax paid**		
	Current tax liabilities at beginning of year		(2)
	Current tax recognised in profit or loss	(4)	(32)
		(4)	(34)
16.	**Contingent liabilities**		
	The company has contingent liabilities in respect of guarantees issued to bankers and others, on behalf of subsidiaries, for facilities in the normal course of business to the extent that they are used. The year-end utilisation of facilities was:	6 886	11 670
	In the prior year the company guaranteed the obligations to investors of the commercial paper and corporate bonds issued		3 548
	The company has contingent liabilities in respect of guarantees issued to bankers and others, on behalf of associates, for facilities in the normal course of business to the extent that they are used. The year-end utilisation of facilities was:		34
	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:	280	278

17. Financial instruments

Fair value

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

Interest rate risk

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

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

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

The impact of a 50 basis points increase in interest rates will have an annualised R8 million (2018: R2 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 862 million at 30 June 2019.

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 liabilities

	Carrying amount Rm	Contractual cash flows Rm	Less than one year Rm	One to five years Rm	More than five years Rm
Interest-bearing borrowings	1 838	2 429	476	401	1 551
Other financial liabilities	32	32		32	
Trade payables and accruals	20	21	8		13
2019	**1 890**	**2 482**	**484**	**433**	**1 564**
2018	60	60	25		35

18. Events after the reporting period

An ordinary dividend of 109 cents has been declared by the board of Imperial on 27 August 2019.

Profit or loss for the year ended 30 June

	Imperial Logistics		Freight Management		Contract Logistics		Distributorships		Head Office and Eliminations		Businesses held for sale	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm	2019 Rm	2018 Rm	2019 Rm	2018 Rm	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Revenue	49 720	48 565	24 877	22 997	14 603	15 041	10 539	8 999	(299)	(189)		1 717
- South Africa	13 075	13 266	7 917	7 494	4 938	5 320	519	562	(299)	(189)		79
- Rest of Africa	12 105	11 033	1 195	1 261	890	763	10 020	8 437				572
- International	24 540	24 266	15 765	14 242	8 775	8 958						1 066
Operating profit	2 501	2 868	1 342	1 488	484	671	686	638	(11)	(40)		111
- South Africa	939	963	637	618	363	373	(50)	(4)	(11)	(26)		2
- Rest of Africa	787	777	45	70	6	14	736	642				51
- International	775	1 128	660	800	115	284				(14)		58
Operating margin	5,0	5,9	5,4	6,5	3,3	4,5	6,5	7,1	3,7	21,2		6,5
- South Africa	7,2	7,3	8,0	8,2	7,4	7,0	(9,6)	(0,7)	3,7	13,8		2,5
- Rest of Africa	6,5	6,9	3,8	5,6	0,7	1,8	7,3	7,6				8,9
- International	3,2	4,7	4,2	5,6	1,3	3,2						5,4
Profit before tax~	1 709	1 974	956	1 090	298	457	366	267	89	80		80
- South Africa	816	895	530	552	264	280	(67)	(12)	89	73		2
- Rest of Africa	447	332	37	48	(23)	(35)	433	279				40
- International	446	747	389	490	57	212				7		38
Working capital	1 833	1 881	733	699	(24)	307	1 327	1 199	(203)	(336)		12
Invested capital	14 413	16 282	8 689	10 087	2 873	3 010	3 048	3 255	(197)	(93)		23
Net capex	1 094	517	639	476	391	14	57	67	7	(37)		(3)

~ Refer to glossary of terms on page 100.

Summary of global workforce	2019	2018
South African permanent staff (including foreign nationals)	15 207	17 814
Non-South African	12 256	12 130
Total workforce	27 463	29 944

Summary of the employment equity report in terms of section 22 of the Employment Equity Act of South Africa:

	Male (M)				Female (F)				Foreign nationals		Total	Total
Occupational levels	A	C	I	W	A	C	I	W	M	F	2019	2018
Permanent staff												
Top management	2		2	8	2		1				15	10
Senior management	6	4	7	58	3	5	2	9	3		97	95
Professionally qualified and experienced specialists and mid-management	137	57	103	377	83	36	55	235	8	4	1 095	1 106
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	761	242	160	305	314	156	94	232	10	5	2 279	2 973
Semi-skilled and discretionary decision making	5 708	720	173	142	1 055	312	120	224	68	2	8 524	10 552
Unskilled and defined decision making	2 192	214	19	13	658	61	3	2	23	12	3 197	3 078
	8 806	1 237	464	903	2 115	570	275	702	112	23	15 207	17 814
Non-permanent staff	23	2		1	5	1		2			34	
	8 829	1 239	464	904	2 120	571	275	704	112	23	15 241	17 814

A = Africans; C = Coloureds; I = Indians; W = Whites

The above summary is an aggregation of all South African continuing and discontinued operating entities.

Shareholders

The top 10 shareholders based on the number of shares held of the company at 30 June 2019 were as follows:

Shareholder	Share class	Number of shares (000)	% of issued voting capital
Public Investment Corporation	Ordinary	22 185	10,8
M&G Prudential PLC (London)	Ordinary	21 178	10,4
Ukhamba Holdings Proprietary Limited	Ordinary	15 887	7,8
Ukhamba Holdings Proprietary Limited	Deferred ordinary	6 838	3,3
PSG Asset Management	Ordinary	13 944	6,8
Investec Group	Ordinary	8 036	3,9
Dimensional Fund Advisors (London)	Ordinary	7 962	3,9
Lynch Family Holding	Ordinary	7 692	3,8
LSV Asset Management (Chicago)	Ordinary	7 327	3,6
BlackRock Inc (San Francisco)	Ordinary	7 088	3,5
Lazard Asset Management LLC Group (New York)	Ordinary	7 074	3,5

Distribution of shareholders (listed ordinary shares)	Number of shareholders	Number of shares (000)	% of issued voting capital
Public shareholders	5 460	151 213	75,1
Non-public shareholders			
• Shareholder holding more than 10%	2	43 363	21,5
• Directors, their associates and employees	31	1 753	0,9
• Treasury shares	1	4 914	2,5
	5 494	201 243	100

Imperial logistics

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 capital expenditure	• is the aggregate of the expansion and replacement capital expenditure net of proceeds on sale.
Net working capital	• is inventories plus trade, other receivables and contract assets less trade and other payables and provisions.
Operating assets	• total assets less loans receivable, tax assets and assets of disposal group.
Operating liabilities	• total liabilities less interest-bearing borrowings, tax liabilities and put option liabilities.
Operating margin (%)	• operating profit divided by revenue.
Pre-tax profit	• calculated as profit before tax, impairment of goodwill and profit or loss on sale of investment in subsidiaries, associates and joint ventures and other businesses.
Return on invested capital (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 result of associates and joint ventures. • invested capital is a 12-month average of total equity plus non-redeemable, non-participating preference shares plus interest-bearing borrowings less cash resources.
Weighted average cost of capital (WACC) (%)	• calculated by multiplying the cost of each capital component by its proportional weight, therefore: WACC = (after tax cost of debt % multiplied by average debt weighting) + (cost of equity multiplied by average equity weighting). The cost of equity is blended recognising the cost of equity in the different jurisdictions in which Imperial operates.

Corporate information

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

Directors
P Langeni## (Chairman), RJA Sparks# (Lead Independent Director), M Akoojee (Chief Executive Officer), JG de Beer (Chief Financial Officer), P Cooper#, GW Dempster#, T Skweyiya#
Independent non-executive ## Non-executive

Executive committee
M Akoojee (CEO), JG de Beer (CFO), H Bicil, E Mansingh, JVW Rossouw, JA Truter, N van der Westhuizen

Company secretary
RA Venter

Investor Relations and Communications Executive
E Mansingh

Business address and registered office
Imperial Place, Jeppe Quondam
79 Boeing Road East
Bedfordview
2007

Share transfer secretaries
Computershare Investor Services Proprietary Limited
1st Floor, Rosebank Towers
15 Biermann Avenue
Rosebank
2196

Auditors
Deloitte & Touche
20 Woodlands Drive
The Woodlands
Woodmead
2052

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

www.imperiallogistics.co.za

Imperial™
logistics

Business address:
Imperial Place, Jeppe Quondam
79 Boeing Road East
Bedfordview
2007

Postal address:
P O Box 3013
Edenvale
1610
South Africa

customise • collaborate • compete