Unaudited interim results

for the six months ended 31 December 2018

Contents

www.imperiallogistics.com

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

Our performance

Imperial Logistics Limited (Imperial Logistics or group) is mainly an African and Eurozone logistics provider of outsourced integrated value-add logistics, supply chain management and route-to-market solutions – customised to ensure the relevance and competitiveness of our clients. The group is listed on the JSE in South Africa and employs approximately 30 000 people in 38 countries. Ranked among the top 25 global logistics providers, Imperial Logistics has established capabilities in transportation, warehousing, distribution and synchronisation management and expanding capabilities in international freight management, and operates in specific industry verticals – consumer packaged goods, specialised manufacturing and mining, chemicals and energy, healthcare, automotive, machinery and equipment and agriculture.

Investment case

With its strong regional growth platforms, specialist capabilities customised to serve multinational clients in attractive industries, and "asset-right" business model, Imperial Logistics is expected to deliver sustainable revenue growth, enhanced profitability and returns and a dividend of approximately 45% of HEPS. Improvements in asset mix and cash flow, and plans to achieve targeted returns on capital in excess of weighted average cost of capital, will support this expectation.

Imperial Logistics' key investment highlights include:

> **Leading positions in regional markets provide platforms for sustainable growth:** market leader in South Africa, a leader in selected industries (consumer packaged goods and pharmaceuticals) in the African countries in which it operates, and in certain specialised capabilities in Europe.

> **Competitive differentiation centred on agility and customisation:** specialised capabilities across the value chain enable customised and integrated solutions, with service offerings and operating models tailored to client requirements and market maturity.

> **Trusted partner to multinational clients:** quality contract portfolio in high-growth and defensive industries, with partnerships demonstrating reach, capabilities, assets, innovation and legitimacy.

> **"Asset-right" business model underpins financial profile:** more optimal asset mix and targeted returns on capital, support prospects for sustainable revenue growth and enhanced profitability and cash generation.

> **Vision to unlock benefits of "one Imperial Logistics":** strategy focused on sustainable revenue growth, enhanced returns and improved competitiveness, with initiatives to drive substantial organic growth enabled by a differentiated approach to digitalisation and innovation, and enhanced financial flexibility supporting selective acquisitive growth.

> **Track record for consistent growth:** proven ability to acquire, develop and leverage specialist capabilities to establish growth platforms in emerging and advanced markets.

> **Strong and committed leadership:** highly experienced, long-serving management team and a strong independent board.

Group financial highlights

Continuing revenue*
+6%
to R26,6 billion

Continuing operating profit*
R1,3 billion
in line with H1 F2018

Continuing HEPS
+24%
to 300 cents per share

Continuing EPS
+57%
to 295 cents per share

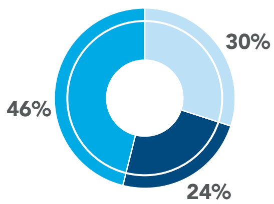
Continuing free cash flow (post-maintenance capital expenditure) increased to
R258 million
from an outflow of R594 million in H1 F2018

Continuing free cash conversion of
44%
(H1 F2018: -126%)

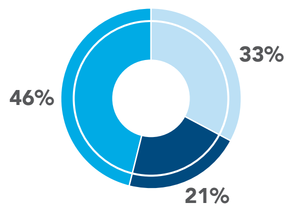
* *Excluding businesses held for sale in Imperial Logistics.*

- Logistics – South Africa
- Logistics – African Regions
- Logistics – International

Divisional revenue
December 2018



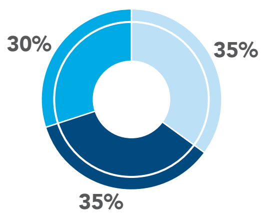
Divisional revenue*
December 2017



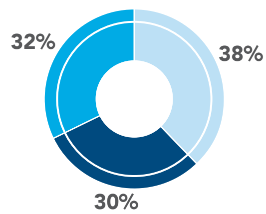
* *External revenue excluding businesses held for sale, head office and eliminations.*

- Logistics – South Africa
- Logistics – African Regions
- Logistics – International

Divisional operating profit
December 2018



Divisional operating profit*
December 2017

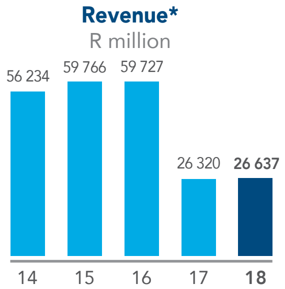


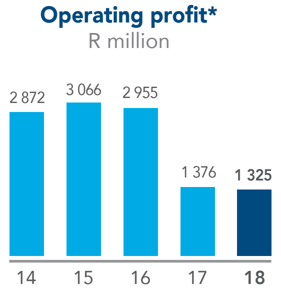
* *Excluding businesses held for sale, head office and eliminations.*

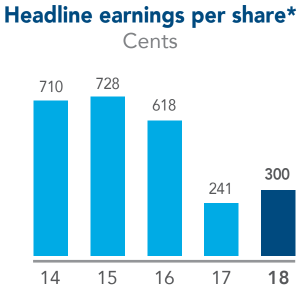
Net debt to equity ratio of **52%** in line with June 2018 and significantly improved from 114% in December 2017	Continuing net debt EBITDA of **1,7x** for the 12-month period	Continuing return on equity **11,7%** (H1 F2018: 10,1%)
Continuing return on invested capital **12,2%** (H1 F2018: 11,7%)	Weighted average cost of capital **9,8%** (H1 F2018: 8,2%)	Interim cash dividend of **135 cents** per share; 45% of HEPS

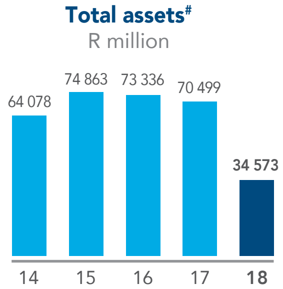
Note: Return on equity (ROE), return on invested capital (ROIC) and weighted average cost of capital (WACC) are calculated on a rolling 12-month basis.

Total company





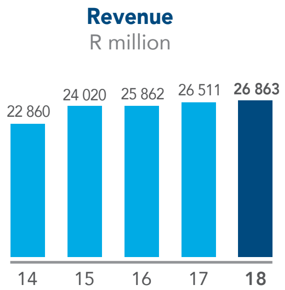


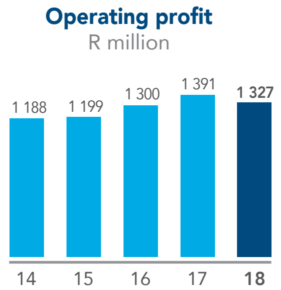


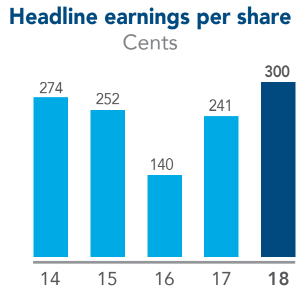
** 2014 – 2016 figures are for total operations including Motus. 2017 and 2018 figures are for continuing operations only.*
 # 2014 – 2017 figures are for total operations including Motus. 2018 figures are continuing operations only.

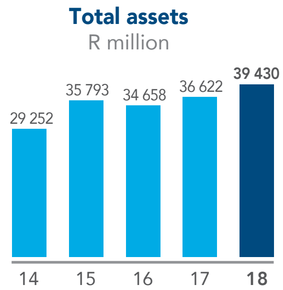
Logistics operations

The following graphs show the trends for the total Logistics operations and excludes Motus and the group's head office and eliminations.









Results overview

Imperial Logistics performed satisfactorily in mixed trading conditions, supported by excellent results from Logistics African Regions, offset by the underperformance in the consumer packaged goods (CPG) and healthcare businesses in Logistics South Africa, and lower results from the automotive and express palletised distribution businesses in Logistics International.

- Each division remains focused on concluding the rationalisation of their portfolios and improving efficiencies, with an increased drive to significantly remove and reduce costs, which we anticipate will be concluded in H2 F2019 and the benefits of which will be fully realised in the 2020 financial year.
- Imperial Logistics' renewal rate across its divisions on existing contracts remains in excess of 90%, with an encouraging pipeline of new opportunities supported by an excellent new contract gain rate. New business revenue of approximately R4,0 billion was secured during the past 12 months, the full benefit of which should be realised in the 2020 financial year as contracts were concluded at various times during the period.
- Excluding businesses held for sale, Imperial Logistics recorded growth in revenue of 6% and operating profit remained stable. Revenue* generated outside South Africa increased 10% to R18,8 billion (70% of group revenue) and operating profit* generated outside South Africa increased 5% to R867 million (65% of group operating profit). A full reconciliation from earnings to headline earnings is provided in the group financial performance section.
- Net working capital of R2,6 billion increased from R1,9 billion in June 2018, impacted mainly by higher inventory in Logistics African Regions and an increase in trade and other receivables in Logistics International. We expect working capital to normalise by June 2019.
- Net debt increased by 9% or R509 million when compared to June 2018 but was significantly lower when compared to the prior period – mainly due to the recapitalisation of Imperial Logistics and the disposal of Schirm in F2018.
- Free cash flow from continuing operations increased to R258 million from an outflow of R594 million as the prior period included significantly higher cash outflow arising from working capital movements.
- Motus unbundling: The unbundling of Motus was concluded in November 2018 and Motus is thus presented as a discontinued operation in this set of results for the four months ending 31 October 2018, where stipulated.

  The fair value of the distribution of R17 billion exceeded the net carrying value of Motus at 31 October 2018, resulting in the recognition of a fair value gain of R4,2 billion in the statement of profit or loss.

* *Excluding businesses held for sale in Imperial Logistics.*

Operating context

Imperial Logistics' activities on the African continent produced 54% and 70% respectively of revenues and operating profits during the six months to December 2018, with the remainder generated mainly in Europe and the United Kingdom. Trading conditions in the business' diverse markets remain mixed.

Environment

South Africa

Notwithstanding the South African economy recording marginal growth in the latter part of calendar 2018, high unemployment, higher VAT, fuel price increases and economic uncertainty ahead of the May 2019 national elections collectively contributed to diminished consumer demand and affordability, resulting in most sectors being under increasing pressure.

The ongoing challenging trading conditions have been exacerbated by a prolonged volatile Rand, which depreciated by 6% on average against the US Dollar during the period, largely driven by external factors relating to emerging markets, poor economic data, and policy and political concerns.

The impact of this lacklustre trading environment on Imperial Logistics' operating profit has been reduced volumes, and ongoing competitive and client pressures, particularly in the consumer and manufacturing businesses. R8,2 billion or 30% of group revenue and R458 million or 35% of group operating profit was generated by the region in the six months to 31 December 2018.

Rest of Africa

Gradual improvement in domestic demand has enhanced economic prospects in certain sub-Saharan African countries. Our primary positioning as a healthcare and CPG route-to-market partner has therefore stood us in good stead in the rest of Africa where R6,3 billion or 24% of group revenue and R465 million or 35% of group operating profit was generated in the six months to 31 December 2018.

Our businesses in Nigeria, Ghana and Mozambique performed well. However, recessionary conditions in Namibia and general political uncertainty resulted in lower volumes and reduced margins. A slower than expected economic recovery in Kenya depressed consumer demand, which hampered the performance of our Kenyan business.

Eurozone and United Kingdom (UK)

Our international operations generated R12,4 billion or 46% of group revenue and R402 million or 30% of group operating profit in the six months to 31 December 2018.

Economic conditions in Europe were largely positive, supported by ongoing economic expansion in the EU. However, certain sectors in which we operate – such as steel – remain under pressure. During the period, our shipping operation experienced the negative impact of the lowest water levels on the River Rhine in Germany in recorded history, however water levels normalised during January 2019. The implementation of the Worldwide Harmonised Light Vehicle Test Procedure (WLTP) resulted in significantly lower vehicle production volumes in Logistics International's automotive business in H1 F2019. Production volumes are recovering in H2 F2019 but are still not at optimal levels. US tariffs could result in reduced exports for our clients in the automotive and steel industries.

In the UK, Brexit has increased economic and political uncertainty, with the potential risk of depressing consumer demand and activity, and consequently affecting the performance of the express palletised distribution business.

Divisional performance

Logistics South Africa

	HY1 2019	HY1 2018*	% change on HY1 2018	HY2 2018*	% change on HY2 2018
Revenue (Rm)	**8 153**	8 361	(2)	7 753	5
Operating profit (Rm)	**457**	504	(9)	428	7
Operating margin (%)	**5,6**	6,0		5,5	
Return on invested capital (ROIC) (%)	**12,2**	13,4			
Weighted average cost of capital (%)	**10,9**	11,1			
Targeted ROIC (WACC +3%)	**13,9**	14,1			
Debt/equity ratio (%)	**63**	67			

Note: ROIC and WACC are calculated on a rolling 12-month basis. The above table excludes businesses held for sale and eliminations.

** Restated due to the reallocation of results related to significant project work from Logistics South Africa to Logistics African Regions.*

Imperial Logistics South Africa delivered an unsatisfactory performance in challenging market conditions, reducing revenue by 2% and operating profit by 9%. Results were negatively impacted by depressed volumes and lower consumer demand mainly in the CPG and healthcare businesses, partly offset by good results from the transport and warehousing and supply chain management and consulting businesses. The transport and warehousing, and specialised freight segments also experienced lower volumes during the six months but good cost management, rationalisation and consolidation of operations mitigated this. With the exception of the CPG and healthcare businesses where margins were significantly affected by lower revenues, most other businesses were largely able to sustain their operating margins through rationalising and improving efficiencies, and reducing costs significantly.

Net capital expenditure increased to R435 million from R347 million in the prior period and comprised mainly of expanding the fleet to accommodate new contracts, as well as the replacement of transport fleet.

The net debt to equity ratio improved from 67% in the prior period to 63% mainly as a result of the proceeds of R200 million received from Afropulse through the broad-based black economic empowerment (BBBEE) transaction. The ROIC of 12,2 % reduced from 13,4% in the prior period mainly due to lower profits and is below the target hurdle rate of WACC +3%.

Logistics African Regions

	HY1 2019	HY1 2018*	% change on HY1 2018	HY2 2018*	% change on HY2 2018
Revenue (Rm)	**6 339**	5 385	18	5 076	25
Operating profit (Rm)	**465**	401	16	325	43
Operating margin (%)	**7,3**	7,4		6,4	
Return on invested capital (%)	**17,8**	20,8			
Weighted average cost of capital (%)	**14,2**	8,2			
Targeted ROIC (WACC +3%)	**17,2**	11,2			
Debt/equity ratio (%)	**40**	138			

Note: ROIC and WACC are calculated on a rolling 12-month basis. The above table excludes businesses held for sale and eliminations.

** Restated due to the reallocation of results related to significant project work from Logistics South Africa to Logistics African Regions.*

Imperial Logistics African Regions delivered an excellent set of results, increasing revenue and operating profit by 18% and 16% respectively, despite mixed trading conditions. Results were supported by the acquisition of CB Enterprises, a CPG route-to-market business in Namibia which has been included for the full six months, and solid performances from our healthcare businesses in West Africa, where we continue to operate as the leading distributor of pharmaceuticals in Nigeria and Ghana. Our sourcing and procurement business (Imres) also contributed positively, resulting from a strong order book and long-term contract gains despite some margin pressure. Results were also boosted by substantial project work in the donor aid market undertaken during the period. The average weakening of the Rand by 6% against the US Dollar positively enhanced the Rand performance during the period.

Surgipharm continues to grow revenue and operating profit but its performance was hindered by the slow economic recovery in Kenya and increased parallel imports in the region. Ongoing mitigation efforts include the on-boarding of new principals and the expansion of product categories to diversify the product mix in this business.

Our CPG route-to-market business in Mozambique performed well, while the Namibian operations performed satisfactorily in ongoing recessionary conditions.

The managed solutions business was negatively impacted by lower chrome volumes, challenging economic conditions in Zimbabwe and by lower volumes from aid organisations.

Net capital expenditure of R26 million was incurred during the first half. The comparative period's capital expenditure included property disposals.

The division was recapitalised during the last quarter of F2018, resulting in a significantly lower net debt to equity ratio of 40% at the end of December 2018 compared to 138% in the prior period.

ROIC at 17,8% declined from 20,8% mainly due to the normalisation of working capital and higher inventory levels, but exceeds the target hurdle rate of WACC +3%.

Divisional performance

Logistics International

	HY1 2019	HY1 2018	% change on HY1 2018	HY2 2018	% change on HY2 2018
Revenue (Euro million)	**760**	733*	4	780	(3)
Operating profit (Euro million)	**24,4**	27,0	(10)	44,0	(45)
Operating margin (%)	**3,2**	3,7		5,6	
Revenue (Rm)	**12 412**	11 592*	7	11 608	7
Operating profit (Rm)	**402**	434	(8)	650	(38)
Operating margin (%)	**3,2**	3,8		5,6	
Return on invested capital (%)	**9,8**	8,3			
Weighted average cost of capital (%)	**7,3**	5,4			
Targeted ROIC (WACC +2%)	**9,3**	7,4			
Debt/equity ratio (%)	**59**	133			

Note: ROIC and WACC are calculated on a rolling 12-month basis. The above table excludes businesses held for sale and eliminations.

**Restated, refer to note 4 on page 24.*

Logistics International's revenue in Euros increased by 4% while operating profit declined by 10%. Revenue increased by 7% and operating profit decreased by 8% in Rands, which was 3% weaker on average against the Euro during the period. Results were hampered by the impact of the implementation of WLTP that resulted in significantly lower vehicle production volumes in the automotive business in H1 F2019. However, production volumes are recovering in H2 F2019 but are still not at optimal levels. Excluding the impact of WLTP, operating profit would have improved year on year.

During the period, the performance of the European inland shipping business was negatively impacted by the lowest water levels on the River Rhine in recorded history, but this impact was largely mitigated through the business increasing prices and receiving partial compensation from customers for the losses incurred. The Road Liquid business benefited, however, from increased volumes subsequently shifted from river to road. The retail, steel and industrial segments delivered unsatisfactory results resulting from lower volumes.

Results for the six months were supported by contract renewals and new business gains in automotive and a good performance from the international shipping operations in South America.

While the express palletised distribution business (Palletways) continues to contribute positively to revenue growth, its profitability was depressed by higher costs in the UK due to imbalanced traffic flows and the increased economic uncertainty (due to Brexit) placing pressure on members. The recruitment of additional members and a revised pricing model will reduce the pressure on costs and members will be better able to handle the increased volumes and larger network.

Net capital expenditure increased to R240 million from R210 million in H1 F2018 and included the replacement of our specialised chemical and gas fleet.

The net debt to equity ratio improved significantly from 133% in the prior period to 59% due mainly to the proceeds from the disposal of Schirm in H2 F2018. The ROIC of 9,8% improved markedly from 8,3% and exceeds the target hurdle rate of WACC +2% for the region.

Group financial performance

Group profit or loss (extracts)

Rm	HY1 2019	HY1 2018	% change
Continuing operations			
Revenue	**26 637**	26 320	1
Net operating expenses	**(24 760)**	(24 386)	2
Operating profit	**1 325**	1 376	(4)
Operating margin	**5,0%**	5,2%	
Amortisation of intangibles arising on business combinations	**(196)**	(220)	
Recoupments from sale of properties net of impairments	**4**	(3)	
Foreign exchange losses	**(21)**	(31)	
Other non-operating items	**(8)**	(117)	
Net finance cost	**(223)**	(355)	(37)
Share of results of associates and joint ventures	**32**	28	
Profit before tax	**913**	678	35
Income tax expense	**(272)**	(227)	20
Profit from continuing operations	**641**	451	42
Discontinued operations – Motus	**5 240**	916	472
Net profit for the period	**5 881**	1 367	330
Attributable to owners of Imperial Logistics	**5 815**	1 306	
Continuing operations	**576**	366	57
Discontinued operations	**5 239**	940	
Effective tax rate (%)*	**30,9**	34,9	
ROIC (%)*	**12,2**	11,7	
Actual WACC (%)*	**9,8**	8,2	

Note: WACC for each subdivision of the group is calculated by making appropriate country/regional risk adjustments for the cost of equity and pricing for the cost of debt depending on jurisdiction. The group WACC calculation is a weighted average of the respective subdivisional WACCs. See glossary of terms. ROIC is calculated based on taxed operating profit plus income from associates divided by the 12-month average invested capital (total equity and net interest-bearing borrowings).

* *Calculated on continuing operations.*

Operating profit decreased by 4% or R51 million mainly due to businesses sold in the prior year.

The increase in profit before tax of 35% or R235 million resulted from:
> Other non-operating items decreased by R109 million to R8 million. The R109 million in the prior year includes goodwill impairment of R22 million and loss on disposal of Schirm, Laabs and Transport Holdings Botswana totalling R93 million.
> Net finance costs decreased by R132 million due to lower average debt levels as a result of the recapitalisation of Logistics prior to the unbundling of Motus as well as a once-off gain from the redemption of the preference shares amounting to R63 million which was partially offset by a loss of R14 million on the settlement of the bonds.

The profit from discontinued operations comprises the profit from Motus for the four months to 31 October 2018, as well as the fair value gain arising from the revaluation of Motus on the date of unbundling.

The effective tax rate decreased from 34,9% to 30,9%, due to the gain arising from the redemption of the preference shares that is not taxable and certain non-deductible expenses in the prior period not recurring in the current period.

Reconciliation of continuing earnings to continuing headline earnings

Rm	HY1 2019	HY1 2018	% change
Continuing earnings attributable to owners of Imperial Logistics	**576**	366	57
Profit on disposal of assets net of recoupments	**(19)**	(14)	(36)
Impairment of goodwill	**65**	22	195
(Profit)/loss on sale of subsidiaries and businesses	**(64)**	93	
Tax/NCI effects of headline earnings adjustments	**26**	2	
Continuing headline earnings	**584**	469	25

Group financial performance

Continuing earnings per share

Rm	HY1 2019	HY1 2018	% change
Earnings per share (EPS)	**295**	188	57
Headline earnings per share (HEPS)	**300**	241	24

Financial position

Rm	December 2018	June 2018	% change
Goodwill and intangible assets	**8 554**	8 575	
Property, plant and equipment	**3 192**	3 042	5
Investment in associates and joint ventures	**597**	752	(21)
Transport fleet	**5 777**	5 358	8
Investments and other financial assets	**217**	206	5
Net working capital	**2 564**	1 881	36
Net assets held for distribution to owners of Imperial		11 683	
Net income tax liabilities	**(419)**	(226)	85
Net debt (June 2018 includes preference shares)	**(6 230)**	(5 721)	9
Other liabilities	**(2 360)**	(2 425)	(3)
Total equity	**11 892**	23 125	(49)
Total assets	**34 573**	70 503	(51)
Total liabilities	**(22 681)**	(47 378)	(52)

Property, plant and equipment increased due to the weakening of the Rand and net additions offset by depreciation.

Investment in associates and joint ventures declined mainly due to the disposal of Gruber.

Transport fleet increased mainly due to fleet expansion and replacement in Logistics South Africa and specialised new fleet acquired in Logistics International, partially offset by depreciation and proceeds.

Net working capital of R2,6 billion increased from R1,9 billion in June 2018, impacted mainly by higher inventory in Logistics African Regions and an increase in trade and other receivables in Logistics International.

Other financial liabilities decreased by R100 million resulting mainly from the repayment of a non-controlling interest (NCI) loan in Surgipharm.

Net income tax liabilities increased as a result of the deconsolidation of tax assets of the remaining Imperial group entities due to the unbundling of Motus.

Movement in total equity for the six months to December 2018

Rm	HY1 2019
Opening balance	**23 125**
Total comprehensive income for the year	**6 642**
Share-based equity movement	**38**
Dividends paid	**(911)**
Ordinary dividends distribution in specie on unbundling of Motus	**(17 036)**
Repurchase of 1 442 683 shares at an average price of R67,14 plus transaction costs	**(97)**
Non-controlling interest acquired, net of disposals and shares issued	**232**
Net decrease in non-controlling interest through buy-outs	**(101)**
Closing balance	**11 892**

The decrease of R11 233 million in equity was mainly due to the R17 036 million dividend distribution in specie of Motus, dividends paid to shareholders and non-controlling interests of R911 million, offset by comprehensive income of R6 642 million and R200 million received from Afropulse in relation to the BBBEE transaction.

Cash flow (including Motus)

Rm	HY1 2019	HY1 2018	% change
Cash generated by operations before movements in working capital	**3 622**	4 231	(14)
Movements in net working capital (excludes currency movements and net acquisitions)	**(2 040)**	(208)	771
Cash generated after working capital movements	**1 582**	4 023	(55)
Interest and taxes paid	**(933)**	(1 320)	(29)
Cash generated by operations before capital expenditure on rental assets	**649**	2 703	(68)
Capital expenditure on rental assets for Motus only	**(1 172)**	(1 161)	1
Cash flows from operating activities	**(523)**	1 542	(119)
– Motus cash flows from operating activities	**(1 286)**	1 439	
Net acquisitions of subsidiaries and businesses		(1 042)	(100)
Capital expenditure (non-rental assets)	**(879)**	(265)	232
Net movement in associates, loans and non-current financial instruments	**156**	(516)	(130)
Cash flows from investing activities	**(723)**	(1 823)	(60)
– Motus cash flows from investing activities	**(164)**	(1 101)	
Dividends paid (including NCI)	**(911)**	(781)	17
Cash resources distributed as dividend in specie	**(1 058)**		100
Share scheme hedge and shares repurchased	**(153)**	(470)	(67)
Change in non-controlling interest	**(80)**	(705)	(89)
Capital raised from non-controlling interest	**200**	223	(10)
Cash flows from financing activities before net debt movement	**(2 002)**	(1 733)	16
– Motus cash flows from financing activities before net debt movement	**995**	(575)	
Increase in net debt (excludes net acquisitions)	**(3 248)**	(2 014)	50
Continuing free cash flow	**258**	(598)	
Continuing free cash flow to headline earnings	**0,4**	–	

The following are the significant cash flow items for continuing operations:

Cash generated by operations before capital expenditure was R763 million (HY1 2018: R85 million).

The cash flow benefited from a 20% lower finance cost of R285 million (H1 F2018: R357 million), due to lower debt levels and a once-off gain from the redemption of the preference shares. Tax paid increased to R363 million from R314 million.

Net working capital movements resulted in an outflow of R580 million, impacted mainly by higher inventory in Logistics African Regions and an increase in trade and other receivables in Logistics International.

Net capital expenditure increased to R700 million from R285 million in H1 F2018 mainly due to higher investment in fleet expansion and replacement in Logistics South Africa and specialised new fleet acquired in Logistics International. Furthermore, the prior period benefited from property disposals.

Dividends, including payments to non-controlling interest, amounted to R911 million during the period.

Cash resources distributed as part of the Motus unbundling was R1 058 million.

In total R200 million was raised on the Afropulse BBBEE transaction while R80 million was paid in the buy-out of non-controlling interest in KWS Carriers and Eco Health.

Proceeds from the sale of our international associate, Gruber, was R226 million.

Other significant cash flow items included the settlement of the preference shares which resulted in a cash outflow of R378 million.

Free cash flow increased to R258 million inflow from a R598 million outflow in the prior period.

Liquidity

The group's liquidity position is strong with R11,0 billion of unutilised banking facilities, excluding asset backed finance facilities. 90% of the group debt is long term in nature and 54% of the debt is at fixed rates. The group's blended cost of debt is 6,1% (pre-tax).

As all listed bonds were redeemed on 6 August 2018, all debt requirements were accommodated in the banking market. There is therefore no requirement for a formal credit rating at this stage.

Dividend

An interim cash dividend of 135 cents per ordinary share has been declared, in line with our targeted pay-out ratio of 45% of HEPS, subject to prevailing circumstances.

Acquisitions and disposals

There were no material acquisitions or disposals concluded in the period under review.

Strategy and **prospects**

Progress against strategy

The strategic priorities of each division are underpinned by our vision of becoming an internationally acclaimed tier one provider of outsourced value-add logistics, supply chain management and route-to-market solutions, with the common aim of achieving a "One Imperial Logistics" brand, identity and culture.

Furthermore, a core intention of our strategy is to move from a portfolio of distinct regional businesses to leveraging the capabilities we have in each region to deliver integrated solutions to clients within selected industries, across our regional platforms and into new markets. We continue to assess the potential for regional expansion and industry capabilities transfer to other regions and we have appointed industry experts with global expertise and focus, within each of our key industries, to facilitate this process. Specifically, South Africa and African Regions' capabilities will be leveraged to expand into new markets, and our specialised capabilities in specific market sectors in Europe will provide the platform for further international expansion.

Strategic priorities for each division and the progress recorded during the period is outlined below:

Logistics South Africa

The division is well positioned to retain and expand contracts with existing and new clients through customisation, innovation and service excellence; to leverage BBBEE credentials to maintain market leadership and further accelerate transformation; exit unviable contracts and operations; and drive organic revenue growth through a combination of asset light expansion and asset intensive investments that yield the required returns.

Progress against each of these stated priorities is evidenced in multiple deliverables. Most notably, the conclusion of the BBBEE transaction with the Afropulse Group (Proprietary) Limited (Afropulse), a wholly black women-owned business to form Imperial Logistics Advance – a 51% black-owned and more than 30% black women-owned enterprise focusing on the energy, mining and chemicals industries. Afropulse acquired 25% of Imperial Logistics Advance for R200 million.

Despite the challenging trading environment in South Africa, our gain rate on new contracts and renewal rates on existing contracts remain high, with an encouraging pipeline of new opportunities. We continue to rationalise our operations and as such, we have exited unprofitable contracts and consolidated some of the cold storage and ambient facilities in the consumer packaged goods (CPG) business, which will result in reduced inefficiencies and significant cost savings. Initiatives undertaken in the six-month period to reduce costs, and which are ongoing in the second half, included reducing the fleet size significantly, exiting certain property leases, consolidating properties and reducing overheads.

Logistics African Regions

The division continues to exploit growth opportunities that complement and expand its existing footprint in healthcare and CPG. Its strategic priorities are to leverage a unique ability to provide brand owners with access to fragmented markets through integrated solutions, unrivalled scale and multi-regional distribution; to expand its managed solutions offerings; and grow its multi-market aggregation offering to become the single strategic partner to multinational clients in healthcare and CPG.

Contract gains in the CPG and healthcare industries, and the expansion of the managed solutions offering into Kenya and Mozambique offer tangible evidence of progress against these set strategic initiatives. Continuous progress has been made on our multi-market aggregation solution over the last few months which has seen us further partner with multinational clients seeking an expanding footprint into new markets, supply chain efficiencies as well as good governance and compliance.

Logistics International

The division will leverage specialised capabilities to strengthen client relationships in specific market sectors, underpinned by a differentiated approach to digitalisation and innovation. Likewise, it will seek out opportunities to expand specialist capabilities into developing markets in Europe and Asia and initiate a strong focus on improved returns through business and contract rationalisation, capability alignment, reduced asset intensity and overhead reduction. The business will invest in commercial and sales capabilities to build awareness and relationships to drive sustainable revenue growth.

Significant savings will be realised through substantial headcount reductions in administrative functions, improvements in process efficiencies and stronger collaboration in purchasing projects. The benefits of this initiative will be realised in the next financial year. Multiple, senior appointments including that of a new Chief Executive Officer (CEO), Chief Commercial Officer and Chief Operating Officer over the past six months, will contribute significantly to the business bolstering its commercial and sales capabilities in order to drive contract gains and renewal rates, and subsequently enhancing its specialised capabilities in specific market sectors. The expansion of specific capabilities through strategic acquisitions and portfolio enhancement, including the potential expansion into international freight management, are in progress, and the market will be informed as and when any material opportunities are concluded.

Prospects

Imperial Logistics is well positioned to capitalise on the opportunities in our markets and manage the risks, in order to deliver on our strategic, financial and operational objectives and targets over the coming years.

The balance sheet of the business remains strong, with sufficient headroom in terms of capacity and liquidity.

At this stage, our expectations for H2 F2019 are as follows:

> Logistics South Africa to deliver performance below that of the prior period due to lower consumer demand impacting the CPG business, the low-growth economic environment in South Africa and costs associated with the business rationalisation and restructure.

> Growth from Logistics African Regions which will be supported by new business, notwithstanding political instability that may arise from the upcoming elections in various countries in the region.

> Logistics International to deliver results that are lower than the prior period impacted mainly by the costs associated with the business restructure and weaker performances from the express palletised distribution and automotive businesses.

> HEPS growth to be negatively impacted by:
- Weaker operational performance and costs associated with business rationalisation and restructure.
- The finance cost benefit from the recapitalisation and once-off gain from the redemption of the preference shares which was realised in H1 F2019, will not reoccur in H2 F2019.

For the financial year to 30 June 2019, subject to stable currencies in the economies in which we operate, we expect Imperial Logistics, excluding businesses held for sale, to deliver:

> Higher revenue than the prior year.

> Lower operating profit than the prior year.

> HEPS in line with the prior year.

The far-reaching benefits of the portfolio rationalisation and organisational restructure that we undertook more than four years ago and continue in F2019, new contract gains, potential acquisitions and an increased focus on removing and reducing complexities and costs significantly in all businesses, will be realised in the 2020 financial year.

Governance matters

Remuneration policy

Shareholders are aware that at the company's annual general meeting on 30 October 2018, 51,84% of the vote cast by Imperial shareholders were in favour of ordinary resolution number 6 – implementation of remuneration policy, less than the 75% approval rate. As such the Chairman of the board, the chairman of the remuneration committee and management have been engaging with material and concerned shareholders to address concerns on the existing remuneration policy. These concerns are given attention at board level and are being addressed appropriately through certain policy amendments. Shareholders will be updated once the shareholder engagement process has been concluded.

Executive director changes

As previously announced, Marius Swanepoel retired as CEO of Imperial Logistics on 1 February 2019 and Mohammed Akoojee succeeded him on the same date. Marius will continue to serve as an executive director until 30 June 2019 and remain in the employ of Imperial Logistics until 31 December 2019, responsible for special projects and available for strategic counsel to management.

Appreciation

Imperial Logistics has entered an exciting new era as an independently listed company. Thank you to our 30 000 colleagues working in 38 countries that continue to contribute to this remarkable business. The multifaceted restructuring that preceded this transition was the culmination of more than four years of planning and hard work and we extend our particular gratitude to all those that made this complex and ambitious evolution possible.

1 February 2019 marked another milestone for the business, with the retirement of Marius Swanepoel as CEO. We will have further opportunities to mark his legacy but wish to extend our deep appreciation for his invaluable contribution, mentorship and gracious leadership.

Finally, we thank our owners and funders for their continued support.

Mohammed Akoojee
Chief Executive Officer

George de Beer
Chief Financial Officer

The financial information herein has not been reviewed or reported on by Imperial Logistics' auditors.

Declaration of interim ordinary dividend

for the six months ended 31 December 2018

Notice is hereby given that a gross interim ordinary dividend in the amount of 135,00000 cents per ordinary share has been declared by the board of Imperial, payable to the holders of the 201 971 450 ordinary shares. The dividend will be paid out of income reserves.

The ordinary dividend will be subject to a local dividend tax rate of 20%. The net ordinary dividend, to those shareholders who are not exempt from paying dividend tax, is therefore 108,00000 cents per share.

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

	2019
Last day for ordinary shares to trade *cum* ordinary dividend	**Monday, 18 March**
Ordinary shares commence trading ex-ordinary dividend	**Tuesday, 19 March**
Record date	**Friday, 22 March**
Payment date	**Monday, 25 March**

The company's income tax number is 9825178719.

Share certificates may not be dematerialised/rematerialised between Tuesday, 19 March 2019 and Friday, 22 March 2019, both days inclusive.

On Monday, 25 March 2019, amounts due in respect of the ordinary dividend will be electronically transferred to the bank accounts of certificated shareholders that utilise this facility. In respect of those who do not, cheques dated 25 March 2019 will be posted on or about that date. Shareholders who have dematerialised their shares will also have their accounts, held at their CSDP or broker, credited on Monday, 25 March 2019.

On behalf of the board

RA Venter
Group Company Secretary

26 February 2019

Condensed consolidated statement of profit or loss

for the six months ended 31 December 2018

Rm	Notes	% change	Unaudited six months ended December 2018	Unaudited six months ended December 2017*	Audited financial year ended June 2018
Continuing operations – Imperial Logistics					
Revenue		1	**26 637**	26 320	51 303
Net operating expenses			**(24 760)**	(24 386)	(47 408)
Profit from operations before depreciation and recoupments			**1 877**	1 934	3 895
Depreciation, amortisation, impairments and recoupments			**(552)**	(558)	(1 082)
Operating profit		(4)	**1 325**	1 376	2 813
Recoupments from sale of properties, net of impairments			**4**	(3)	22
Amortisation of intangible assets arising on business combinations			**(196)**	(220)	(417)
Foreign exchange losses			**(21)**	(31)	(50)
Other non-operating items	8		**(8)**	(117)	(113)
Profit before net finance costs			**1 104**	1 005	2 255
Net finance cost	9	(37)	**(223)**	(355)	(649)
Profit before share of results of associates and joint ventures			**881**	650	1 606
Share of results of associates and joint ventures			**32**	28	56
Profit before tax			**913**	678	1 662
Income tax expense			**(272)**	(227)	(566)
Profit for the period from continuing operations		42	**641**	451	1 096
Discontinued operations – Motus					
Profit for the period from discontinued operations			**5 240**	916	2 312
Net profit for the period			**5 881**	1 367	3 408
Net profit attributable to:					
Owners of Imperial			**5 815**	1 306	3 273
– Continuing operations			**576**	366	928
– Discontinued operations			**5 239**	940	2 345
Non-controlling interest			**66**	61	135
– Continuing operations			**65**	85	168
– Discontinued operations			**1**	(24)	(33)
Earnings per share (cents)					
Continuing operations					
– Basic		57	**295**	188	477
– Diluted		57	**287**	183	463
Discontinued operations					
– Basic			**2 687**	483	1 204
– Diluted			**2 616**	470	1 171
Total operations					
– Basic		344	**2 982**	671	1 681
– Diluted		345	**2 903**	653	1 634

* *Represented for discontinued operations (Motus). Restated revenue and net operating expenses of continuing operations, refer to note 4 on page 24.*

Condensed consolidated statement of comprehensive income

for the six months ended 31 December 2018

Rm	**Unaudited six months ended December 2018**	Unaudited six months ended December 2017	Audited financial year ended June 2018
Net profit for the period	**5 881**	1 367	3 408
Other comprehensive income (loss)	**761**	(523)	655
Items that may be reclassified subsequently to profit or loss	**744**	(523)	722
Exchange gains (losses) arising on translation of foreign operations	**542**	(324)	538
Movement in hedge accounting reserve	**179**	(319)	301
Income tax relating to items that may be classified to profit or loss	**23**	120	(117)
Items that may not be reclassified subsequently to profit or loss	**17**		(67)
Remeasurement of defined benefit obligations			(75)
Income tax on remeasurement of defined benefit obligations	**17**		8
Total comprehensive income for the period	**6 642**	844	4 063
Total comprehensive income attributable to:			
Owners of Imperial	**6 559**	806	3 899
Non-controlling interest	**83**	38	164
	6 642	844	4 063

Earnings per share information

for the six months ended 31 December 2018

Rm	% change	**Unaudited six months ended December 2018**	Unaudited six months ended December 2017*	Audited financial year ended June 2018
Headline earnings reconciliation				
Earnings – total operations	345	**5 815**	1 306	3 273
Recoupment for the disposal of property, plant and equipment (IAS 16)		**(28)**	(64)	(809)
Loss on disposal of intangible assets (IAS 38)				5
Impairment of property, plant and equipment (IAS 36)		**9**	27	117
Impairment of intangible assets (IAS 36)			9	15
Impairment of goodwill (IAS 36)		**65**	22	92
Gain or impairment of investment in associates and joint ventures (IAS 28)		**(65)**		8
Loss on disposal of subsidiaries and businesses (IFRS 10)		**1**	18	147
Remeasurements included in share of result of associates				(6)
Post-tax gain on discontinuation of Motus		**(4 187)**		
Impairment loss on assets of disposal groups			72	
Tax effects of remeasurements		**26**	7	221
Non-controlling interest share of remeasurements		**1**		(6)
Headline earnings – total operations	17	**1 637**	1 397	3 057
Headline earnings per share (cents)*				
Continuing operations				
– Basic	24	**300**	241	543
– Diluted	24	**292**	235	527
Discontinued operations^				
– Basic	13	**539**	476	1 027
– Diluted	13	**525**	463	999
Total operations				
– Basic	17	**839**	717	1 570
– Diluted	17	**817**	698	1 526
Additional information				
Net asset value per share (cents)		**5 707**	10 179	11 464
Dividend per ordinary share (cents)		**135**	323	710
Number of ordinary shares in issue (million)				
– Total shares		**202,0**	201,1	202,0
– Net of shares repurchased		**199,5**	198,0	198,8
– Weighted average for basic		**195,0**	194,7	194,7
– Weighted average for diluted		**200,3**	200,2	200,3
Number of other shares (million)				
– Deferred ordinary shares to convert to ordinary shares		**5,8**	6,7	5,8

** Represented for discontinued operations (Motus).*

^ As a discontinued operation the results of Motus, in these financial statements, excludes depreciation.

Condensed consolidated statement of financial position

at 31 December 2018

Rm	Notes	**Unaudited 31 December 2018**	Unaudited 31 December 2017	Audited 30 June 2018
ASSETS				
Goodwill and intangible assets	10	**8 554**	9 172	8 575
Investment in associates and joint ventures		**597**	1 204	752
Property, plant and equipment		**3 192**	9 667	3 042
Transport fleet		**5 777**	5 345	5 358
Deferred tax assets		**591**	1 736	783
Investments and other financial assets		**217**	1 213	206
Vehicles for hire			4 489	
Inventories		**2 464**	16 803	2 194
Tax in advance		**363**	409	364
Trade and other receivables		**10 906**	14 606	9 774
Cash resources	11	**1 912**	2 758	2 818
Assets held for distribution to owners of Imperial				36 637
Assets of disposal groups			3 097	
Total assets		**34 573**	70 499	70 503
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital and share premium		**1 030**	1 030	1 030
Shares repurchased		**(523)**	(547)	(560)
Other reserves		**928**	(1 102)	271
Retained earnings		**9 950**	20 773	22 050
Attributable to owners of Imperial		**11 385**	20 154	22 791
Put arrangement over non-controlling interest		**(531)**	(521)	(566)
Non-controlling interest		**1 038**	820	900
Total equity		**11 892**	20 453	23 125
Liabilities				
Non-redeemable non-participating preference shares			441	441
Retirement benefit obligation		**1 251**	1 046	1 216
Interest-bearing borrowings		**8 142**	19 566	8 098
Maintenance and warranty contracts			2 953	
Deferred tax liabilities		**1 006**	1 155	1 137
Other financial liabilities		**1 109**	1 275	1 209
Trade, other payables and provisions		**10 806**	22 525	10 087
Current tax liabilities		**367**	458	236
Liabilities held for distribution to owners of Imperial				24 954
Liabilities associated with businesses held for sale			627	
Total liabilities		**22 681**	50 046	47 378
Total equity and liabilities		**34 573**	70 499	70 503

Condensed consolidated statement of changes in equity

for the six months ended 31 December 2018

Rm	Share capital and premium	Shares repurchased	Other reserves
At 30 June 2017 – Audited	1 030	(574)	24
Total comprehensive income for the period			(500)
Share-based cost charged to profit or loss			89
Share-based equity reserve transferred to retained earnings on vesting			146
Shares cancelled and delivered to settle share-based obligations		140	(140)
Share-based equity reserve hedge cost			(74)
Ordinary dividends paid			
Repurchase of 533 772 shares at an average price of R212.49 plus transaction costs		(113)	
Non-controlling interest acquired, net of disposals and shares issued			
Net decrease in non-controlling interest through buy-outs			(647)
Non-controlling interest share of dividends			
At 31 December 2017 – Unaudited	1 030	(547)	(1 102)
Total comprehensive income for the period			1 193
Share-based cost charged to profit or loss			130
Share-based equity reserve transferred to retained earnings on vesting			(11)
Shares cancelled and delivered to settle share-based obligations		30	(30)
Share-based equity reserve hedge cost			42
Ordinary dividends paid			
Repurchase of 179 085 shares at an average price of R240,10 plus transaction costs		(43)	
Non-controlling interest acquired, net of disposals and shares issued			
Net decrease in non-controlling interest through buy-outs			51
Realisation on disposal of subsidiaries			(2)
Non-controlling interest share of dividends			
At 30 June 2018 – Audited	**1 030**	**(560)**	**271**
Total comprehensive income for the period			**727**
Share-based cost charged to profit or loss			**91**
Share-based equity reserve transferred to retained earnings on vesting			**35**
Shares cancelled and delivered to settle share-based obligations		**134**	**(134)**
Share-based equity reserve hedge cost			**(40)**
Transfer of share payment reserve to share-based payment liability			**(13)**
Transfer from statutory reserve to retained earnings			**1**
Ordinary dividends paid			
Ordinary dividends distribution in specie on unbundling of Motus			
Repurchase of 1 442 683 shares at an average price of R67,14 plus transaction costs		**(97)**	
Non-controlling interest acquired, net of disposals and shares issued			
Net decrease in non-controlling interest through buy-outs			**(103)**
Realisation on disposal of subsidiaries			**93**
Non-controlling interest share of dividends			
At 31 December 2018 – Unaudited	**1 030**	**(523)**	**928**

Retained earnings	Attributable to owners of Imperial	Put arrangement over non-controlling interest	Non-controlling interest	Total equity
20 262	20 742	(1 148)	667	20 261
1 306	806		38	844
	89			89
(146)				
	(74)		(1)	(75)
(649)	(649)			(649)
	(113)			(113)
			295	295
	(647)	627	(48)	(68)
			(131)	(131)
20 773	20 154	(521)	820	20 453
1 900	3 093		126	3 219
	130			130
11				
	42		1	43
(636)	(636)			(636)
	(43)			(43)
			55	55
	51	(45)	(40)	(34)
2				
			(62)	(62)
22 050	**22 791**	**(566)**	**900**	**23 125**
5 832	**6 559**		**83**	**6 642**
	91			**91**
(35)				
	(40)			**(40)**
	(13)			**(13)**
(1)				
(767)	**(767)**			**(767)**
(17 036)	**(17 036)**			**(17 036)**
	(97)			**(97)**
			232	**232**
	(103)	**35**	**(33)**	**(101)**
(93)				
			(144)	**(144)**
9 950	**11 385**	**(531)**	**1 038**	**11 892**

Condensed consolidated statement of cash flows

for the six months ended 31 December 2018

Rm	Note	**Unaudited six months ended December 2018**	Unaudited six months ended December 2017	Audited financial year ended June 2018
Cash flows from operating activities				
Cash generated by operations before movements in net working capital		**3 622**	4 231	8 721
Movements in net working capital		**(2 040)**	(208)	811
Cash generated by operations before interest and taxes paid		**1 582**	4 023	9 532
Net finance cost		**(528)**	(753)	(1 386)
Tax paid		**(405)**	(567)	(1 336)
Cash generated by operations before capital expenditure on rental assets		**649**	2 703	6 810
Capital expenditure – rental assets		**(1 172)**	(1 161)	(1 079)
		(523)	1 542	5 731
Cash flows from investing activities				
Acquisition of subsidiaries and businesses			(1 042)	(1 211)
Disposal of subsidiaries and businesses				2 070
Expansion capital expenditure – excluding rental assets		**(260)**	394	1 248
Net replacement capital expenditure – excluding rental assets		**(619)**	(659)	(1 008)
Net movement in other associates and joint ventures		**252**	(204)	
Net movement in investments, loans and other financial instruments		**(96)**	(312)	(209)
		(723)	(1 823)	890
Cash flows from financing activities				
Hedge cost premium paid		**(62)**	(357)	(362)
Settlement of cross-currency swap instruments			(200)	(152)
Repurchase of ordinary shares		**(91)**	(113)	(113)
Dividends paid		**(911)**	(781)	(1 478)
Cash resources distributed as part of dividend in specie		**(1 058)**		
Purchase of non-controlling interests		**(80)**	(705)	(684)
Capital raised from non-controlling interests		**200**	223	223
Settlement of non-redeemable, non-participating preference shares		**(378)**		
Net increase (decrease) in interest-bearing borrowings		**1 202**	570	(4 382)
		(1 178)	(1 363)	(6 948)
Net decrease in cash resources		**(2 424)**	(1 644)	(327)
Effects of exchange rate changes on cash resources in a foreign currency		**35**	(31)	129
Cash resources at beginning of period		**4 301**	4 499	4 499
Cash resources at end of period	11	**1 912**	2 824	4 301

Note: The distribution in specie of the group's interest in Motus Holdings Limited was a non-cash dividend to shareholders. The above statement of cash flows includes cash flows of both continuing and discontinued operations. Refer to note 12 on page 25 for disclosures of the cash flows of the discontinued operations (Motus).

Notes to the condensed consolidated financial statements

for the six months ended 31 December 2018

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the framework concepts and recognition and measurement criteria of International Financial Reporting Standards (IFRS) and its Interpretations adopted by the International Accounting Standards Board (IASB) in issue and effective for the group at 31 December 2018 and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Standards Council. The results are presented in accordance with IAS 34 – Interim Financial Reporting and comply with the Listings Requirements of the Johannesburg Stock Exchange Limited and the Companies Act of South Africa, 2008. These condensed consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated annual financial statements as at and for the year ended 30 June 2018.

These condensed consolidated financial statements have been prepared under the supervision of WS Buckton, CA(SA) and were approved by the board of directors on 26 February 2019.

2. Accounting policies

The accounting policies adopted and methods of computation used in the preparation of the condensed consolidated financial statements are in accordance with IFRS and are consistent with those of the annual financial statements for the year ended 30 June 2018, with the exception of the new and revised IFRS as noted in note 3.

3. IFRS standards that became effective during the period

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers became effective to the group during the reporting period. The adoption of these standards had no material impact on the amounts previously reported hence no restatement of comparative information is required.

The group's revised policy regarding financial instruments and revenue are summarised below:

IFRS 9 – Financial Instruments

The group's financial assets that are held to collect contractual cash flows on specified dates are measured at amortised cost. These include trade and other longer-term loan receivables and cash resources.

Interest-bearing borrowings, trade and other payables and other longer-term payables are measured at amortised cost. The put option liabilities and contingent consideration liabilities, included in other financial liabilities on the statement of financial position, are fair valued through profit or loss.

Derivative financial instruments are fair valued through profit or loss unless hedge accounting is applied in which case they are fair valued through other comprehensive income.

Shares repurchased are measured at cost.

The above measurements are consistent to those applied in prior periods.

The group recognises a loss allowance for lifetime expected credit losses on financial assets in a way that reflects an unbiased probable weighted amount, the time value of money and supportable information about past events, current and future economic conditions.

IFRS 15 – Revenue from Contracts with Customers

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 to. Performance obligations regarding the group's revenue from supply chain management and value-add logistics are satisfied overtime whereas revenue from route-to-market 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.

Route-to-market includes the sale of fast moving consumer goods and pharmaceutical products. Supply chain management include supply chain management solution and synchronisation management whereas value-add logistics consists of transportation, distribution and warehousing management as well as value added logistics solutions.

The group's revenue by service capability for the period can be summarised as follows:	**2018 Rm**	2017 Rm
Route-to-market	**5 534**	4 772
Supply chain management	**3 060**	3 628
Value-add logistics	**18 043**	17 920
	26 637	26 320

4. Restatement of comparative information as result of error

Revenue for continuing operations for December 2017 has been restated. In 2017 inter-company revenue of R522 million was incorrectly included in external revenue and as a consequence was not eliminated from the consolidated revenue. This error originated from the International Logistics segment. The restatement had no impact on profits, cash flows or the financial position, it only affected revenue and net operating expenses as detailed below:

Statement of profit or loss – Rm	2017
Revenue (decrease)	(522)
Net operating expenses (decrease)	522
Profit from operations before depreciation and recoupments (no impact)	

5. Significant transactions during the period

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 post-tax fair value gain of R4 187 million was recognised in profit or loss. The fair value gain is net of the cost to distribute and together with the trading results of Motus is presented as a discontinued operation in the condensed consolidated statement of profit or loss.

6. New and revised international financial reporting standards in issue but not yet effective

IFRS 16 – Leases

In terms of lessee accounting IFRS 16 – Leases introduces a single model and requires a lessee to recognise assets and liabilities for all leases with a term longer than 12 months.

A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Depreciation is recognised on the right-of-use asset and interest on the lease liability.

The group's latest assessment determined that the right-of-use asset and lease liability to be recognised on adoption of the standard will approximate R5 087 million and R5 533 million respectively. These amounts have been revised from the initial assessment at the end of June 2018 primarily as a result of certain leases being cancelled.

The provisional impact on the 30 June 2018 financial statements before taking tax and non-controlling interest into consideration is summarised below. A completeness and accuracy review of the impact of IFRS 16 is ongoing.

Profit or loss – Rm	Imperial	Logistics South Africa	Logistics African Regions	Logistics International
Operating lease expense	1 038	342	71	625
Depreciation	(867)	(275)	(48)	(544)
Operating profit	171	67	23	81
Interest expense	(307)	(158)	(37)	(112)
Profit before tax	(136)	(91)	(14)	(31)
Financial position – Rm				
Right-of-use assets	5 087	1 765	299	3 023
Total assets	5 087	1 765	299	3 023
Total equity	(446)	(239)	(32)	(175)
Lease obligations	5 533	2 004	331	3 198
Total equity and liabilities	5 087	1 765	299	3 023

In terms of lessor accounting IFRS 16 substantially carries forward the requirements in IAS 17 and accordingly a lessor continues to account for its leases as operating leases or finance leases.

	December 2018	December 2017	June 2018
7. Foreign exchange rates			
The following major rates of exchange were used in the translation of the groups foreign operations:			
SA Rand:Euro			
– Closing	**16,46**	14,77	16,01
– Average	**16,33**	15,79	15,34
SA Rand:US Dollar			
– Closing	**14,39**	12,31	13,71
– Average	**14,17**	13,43	12,86
SA Rand:Pound Sterling			
– Closing	**18,42**	16,64	18,10
– Average	**18,35**	17,69	17,31

	December 2018 Rm	December 2017 Rm	June 2018 Rm
8. Other non-operating items			
Remeasurement of financial instruments not held-for-trading		6	73
Remeasurement of put option liabilities		(25)	42
Gain on remeasurement of contingent consideration liabilities		31	31
Capital items	**(8)**	(123)	(186)
Impairment of goodwill	**(65)**	(22)	(26)
Profit/(loss) on disposal of subsidiaries, businesses and associates	**64**	(93)	(149)
Business acquisition costs	**(7)**	(8)	(11)
	(8)	(117)	(113)
9. Net finance cost			
Net interest paid	**(222)**	(354)	(644)
Fair value losses on interest rate swap instruments	**(1)**	(1)	(5)
	(223)	(355)	(649)
10. Goodwill and intangible assets			
Goodwill			
Cost	**7 489**	7 597	7 298
Accumulated impairment	**(1 142)**	(1 007)	(1 077)
	6 347	6 590	6 221
Carrying value at beginning of period	**6 221**	6 694	6 694
Net acquisition and disposal of businesses	**3**	723	213
Impairment charge	**(65)**	(22)	(92)
Currency adjustments	**188**	(198)	359
Reclassified to assets of disposal groups		(607)	
Reclassified to assets held for distribution to owners of Imperial (Motus)			(953)
Carrying value at end of period	**6 347**	6 590	6 221
Intangible assets	**2 207**	2 582	2 354
Goodwill and intangible assets	**8 554**	9 172	8 575
11. Cash resources			
Cash resources – as disclosed on the statement of financial position	**1 912**	2 758	2 818
Cash resources – included in assets of disposal groups		66	
Cash resources – included in assets held for distribution to owners of Imperial			1 483
	1 912	2 824	4 301
12. Discontinued cash flow			
The cash flows of the discontinued operations for the four-month period ended 31 October 2018 were as follows after elimination of intergroup cash flows:			
Cash flows from operating activities	**(1 286)**	1 627	4 312
Cash flows from investing activities	**(164)**	(1 101)	(61)
Cash flows from financing activities	**(63)**	(575)	(3 623)

13. Fair value of financial instruments

Fair value hierarchy

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

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

Level 2 financial instruments are those valued using techniques based primarily on observable market data. Instruments in this category are valued using quoted prices for similar instruments or identical instruments in markets which are not considered to be active; or valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.

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

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

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

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

Rm	Level 1	Level 2	Level 3
Financial assets			
Investments	23		
Interest rate swap instruments and foreign exchange contracts		5	
Financial liabilities			
Put option liabilities			1 026
Contingent consideration liabilities			43
Cross-currency and interest rate swap instruments		17	
Foreign exchange contracts		12	

Transfers between fair value hierarchy levels

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

Movement in level 3 financial instruments measured at fair value

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

Rm	Put option liabilities	Contingent consideration	Total
Carrying value at beginning of the period	1 015	14	1 029
Arising on buy-out of non-controlling interest		36	36
Settlements	(35)	(7)	(42)
Currency adjustments	46		46
Carrying value at end of period	**1 026**	**43**	**1 069**

Level 3 sensitivity information

The fair values of the level 3 financial instruments were estimated by applying an income approach valuation method including a present value discount technique. The fair value measurements are based on significant inputs that are not observable in the market. Key assumptions used in the valuations includes the assumed probability of achieving profit targets, expected future cash flows and the discount rates applied. The assumed profitabilities were based on historical performances but adjusted for expected growth.

Rm	Carrying value	Increase in carrying value	Decrease in carrying value
Financial instruments | Key assumptions			
Put option liabilities | Earnings growth	**1 026**	**19**	**(19)**
Contingent consideration liabilities | Assumed profits	**43**		**(4)**

Rm	December 2018	December 2017	June 2018
14. Contingencies and commitments			
Capital commitments	**80**	807	216
Contingent liabilities	**421**	510	415

15. Business combinations during the period

There were no material acquisition of businesses during the reporting period or before the financial statements were authorised for issue.

16. Events after the reporting period

Except for the dividend declaration on page 15 of this report there were no material events after the reporting period.

Segmental information

for the six months ended 31 December 2018

Profit or loss

Rm	Imperial Logistics 2018	Imperial Logistics 2017	Logistics South Africa 2018	Logistics South Africa 2017**	Logistics African Regions 2018	Logistics African Regions 2017**
Revenue	**26 637**	26 320	**8 153**	8 361	**6 339**	5 385
– South Africa	**7 886**	8 198	**8 153**	8 361		
– Rest of Africa	**6 339**	5 672			**6 339**	5 385
– International	**12 412**	12 450				
Operating profit	**1 325**	1 376	**457**	504	**465**	401
– South Africa	**458**	502	**457**	504		
– Rest of Africa	**465**	420			**465**	401
– International	**402**	454				
Depreciation, amortisation, impairments and recoupments	**(744)**	(781)	**(268)**	(272)	**(135)**	(149)
– South Africa	**(266)**	(279)	**(268)**	(272)		
– Rest of Africa	**(135)**	(162)			**(135)**	(149)
– International	**(343)**	(340)				
Net finance cost	**(223)**	(355)	**(142)**	(142)	**(78)**	(118)
– South Africa	**(60)**	(113)	**(142)**	(142)		
– Rest of Africa	**(78)**	(118)			**(78)**	(118)
– International	**(85)**	(124)				
Pre-tax profits*	**914**	793	**300**	380	**290**	115
– South Africa	**389**	419	**300**	380		
– Rest of Africa	**290**	136			**290**	115
– International	**235**	238				
Additional segment information						
Analysis of revenue by type						
– Sale of goods	**6 812**	4 960	**1 581**	540	**5 227**	4 412
– Rendering of services	**19 825**	21 360	**6 546**	7 768	**1 049**	939
External revenue	**26 637**	26 320	**8 127**	8 308	**6 276**	5 351
Inter-group revenue			**26**	53	**63**	34
	26 637	26 320	**8 153**	8 361	**6 339**	5 385
Analysis of depreciation, amortisation, impairments and recoupments	**(744)**	(781)	**(268)**	(272)	**(135)**	(149)
Depreciation and amortisation	**(567)**	(575)	**(266)**	(275)	**(45)**	(36)
Recoupments and impairments	**19**	14	**20**	28	**(1)**	(17)
Amortisation of intangible assets arising from business combinations	**(196)**	(220)	**(22)**	(25)	**(89)**	(96)
Share of results of associates (included in pre-tax profits)	**32**	28	**3**	3	**15**	6
Operating margin (%)	**5,0**	5,2	**5,6**	6,0	**7,3**	7,4

*** Refer to glossary of terms on page 32.*
*** Restated due to the reallocation of results related to significant project work from Logistics South Africa to Logistics African Regions.*

Logistics International		Businesses held for sale		Head office and eliminations	
2018	2017	**2018**	2017	**2018**	2017
12 412	11 592		1 227	**(267)**	(245)
			82	**(267)**	(245)
			287		
12 412	11 592		858		
402	434		49	**1**	(12)
			3	**1**	(5)
			19		
402	434		27		(7)
(343)	(329)		(26)	**2**	(5)
			(2)	**2**	(5)
			(13)		
(343)	(329)		(11)		
(85)	(118)		(13)	**82**	36
			(3)	**82**	32
(85)	(118)		(10)		4
235	230		28	**89**	40
			(4)	**89**	43
			21		
235	230		11		(3)
			1	**4**	7
12 410	11 592		1 191	**(180)**	(130)
12 410	11 592		1 192	**(176)**	(123)
2			35	**(91)**	(122)
12 412	11 592		1 227	**(267)**	(245)
(343)	(329)		(24)	**2**	(7)
(251)	(251)		(15)	**(5)**	2
(7)	12			**7**	(9)
(85)	(90)		(9)		
14	16				3
3,2	3,7				

Segmental information

at 31 December 2018

Financial position

	Imperial Logistics			Logistics South Africa			Logistics African Regions		
	31 December		30 June	31 December		30 June	31 December		30 June
Rm	**2018**	2017	2018	**2018**	2017**	2018**	**2018**	2017**	2018**
Assets									
Goodwill and intangible assets	**8 554**	9 172	8 575	**824**	811	860	**2 647**	2 431	2 601
Property, plant and equipment	**3 192**	9 667	3 042	**1 336**	1 350	1 333	**363**	346	387
Transport fleet	**5 777**	5 345	5 358	**2 695**	2 601	2 475	**153**	198	156
Vehicles for hire		4 489							
Investments in associates (excluding loans advanced to associates)	**491**	915	510	**73**	9	70	**319**	294	296
Investments	**59**	867	30	**29**	24	29			
Inventories	**2 464**	16 803	2 194	**365**	356	417	**1 896**	1 423	1 623
Trade and other receivables	**10 906**	14 606	9 774	**4 501**	4 154	4 026	**2 275**	1 819	2 047
Cash resources		70							
Operating assets*	**31 443**	61 934	29 483	**9 823**	9 305	9 210	**7 653**	6 511	7 110
– South Africa	**9 921**	34 270	8 996	**9 823**	9 305	9 210			
– Rest of Africa	**7 653**	7 210	7 110				**7 653**	6 511	7 110
– International	**13 869**	20 454	13 377						
Liabilities									
Retirement benefit obligations	**1 251**	1 046	1 216						
Maintenance and warranty contracts		2 953							
Trade and other payables and provisions	**10 806**	22 525	10 087	**4 104**	3 725	3 650	**2 607**	2 238	2 464
Other financial liabilities	**83**	341	194	**58**	29	24	**14**	171	157
Operating liabilities*	**12 140**	26 865	11 497	**4 162**	3 754	3 674	**2 621**	2 409	2 621
– South Africa	**4 436**	15 000	3 978	**4 162**	3 754	3 674			
– Rest of Africa	**2 621**	2 656	2 621				**2 621**	2 409	2 621
– International	**5 083**	9 209	4 898						
Net working capital*	**2 564**	8 884	1 881	**762**	785	793	**1 564**	1 004	1 206
– South Africa	**492**	5 963	457	**762**	785	793			
– Rest of Africa	**1 564**	1 183	1 206				**1 564**	1 004	1 206
– International	**508**	1 738	218						
Net debt	**6 230**	17 249	5 721	**2 058**	2 280	2 241	**1 161**	1 896	635
– South Africa	**1 762**	7 961	1 969	**2 058**	2 280	2 241			
– Rest of Africa	**1 161**	2 097	635				**1 161**	1 896	635
– International	**3 307**	7 191	3 117						
Net capital expenditure*	**(2 051)**	(1 426)	(839)	**(435)**	(347)	(397)	**(26)**	237	216
– South Africa	**(1 785)**	(1 288)	(1 213)	**(435)**	(347)	(397)			
– Rest of Africa	**(26)**	174	161				**(26)**	237	216
– International	**(240)**	(312)	213						

*** Refer to glossary of terms on page 32.*
*** Restated due to the reallocation of results related to significant project work from Logistics South Africa to Logistics African Regions.*

Logistics International			Eliminations			Total Logistics			Head office and eliminations			Motus		
31 December		30 June	**31 December**		30 June	**31 December**		30 June	**31 December**		30 June	**31 December**		30 June
2018	2017	2018	**2018**	2017	2018	**2018**	2017	2018	**2018**	2017	2018	**2018**	2017	2018
5 064	4 735	5 105	**20**	4	21	**8 555**	7 981	8 587	**(1)**	9	(12)		1 182	
1 406	1 342	1 433	**86**	61	54	**3 191**	3 099	3 207	**1**	(84)	(165)		6 652	
2 929	2 580	2 760				**5 777**	5 379	5 391		(34)	(33)			
													4 489	
133	146	176	**(40)**		(39)	**485**	449	503	**6**	28	7		438	
5	5	5		(1)		**34**	28	34	**25**	(6)	(4)		845	
203	111	154				**2 464**	1 890	2 194					14 913	
4 129	3 594	3 744		60	(11)	**10 905**	9 627	9 806	**1**	40	(32)		4 939	
													70	
13 869	12 513	13 377	**66**	124	25	**31 411**	28 453	29 722	**32**	(47)	(239)		33 528	
			66	124	25	**9 889**	9 429	9 235	**32**	(177)	(239)		25 018	
						7 653	6 511	7 110					699	
13 869	12 513	13 377				**13 869**	12 513	13 377		130			7 811	
1 251	1 046	1 216				**1 251**	1 046	1 216						
										90			2 863	
3 824	3 395	3 680	**137**	161	142	**10 672**	9 519	9 936	**134**	283	151		12 723	
8		2	**6**		(1)	**86**	200	182	**(3)**	24	12		117	
5 083	4 441	4 898	**143**	161	141	**12 009**	10 765	11 334	**131**	397	163		15 703	
			143	161	141	**4 305**	3 915	3 815	**131**	362	163		10 723	
						2 621	2 409	2 621		1			246	
5 083	4 441	4 898				**5 083**	4 441	4 898		34			4 734	
508	310	218	**(137)**	(101)	(153)	**2 697**	1 998	2 064	**(133)**	(243)	(183)		7 129	
			(137)	(101)	(153)	**625**	684	640	**(133)**	(322)	(183)		5 601	
						1 564	1 004	1 206		(1)			180	
508	310	218				**508**	310	218		80			1 348	
3 307	5 670	3 117	**(135)**	95	(195)	**6 391**	9 941	5 798	**(161)**	30	(77)		7 278	
			(135)	95	(195)	**1 923**	2 375	2 046	**(161)**	147	(77)		5 439	
						1 161	1 896	635					201	
3 307	5 670	3 117				**3 307**	5 670	3 117		(117)			1 638	
(240)	(210)	(373)	**(31)**	(4)	(24)	**(732)**	(324)	(578)	**32**	39	61	**(1 351)**	(1 141)	(322)
			(31)	(4)	(24)	**(466)**	(351)	(421)	**32**	39	61	**(1 351)**	(976)	(853)
						(26)	237	216					(63)	(55)
(240)	(210)	(373)				**(240)**	(210)	(373)					(102)	586

Glossary of terms

Net asset value per share	> equity attributable to owners of Imperial divided by total ordinary shares in issue net of shares repurchased (the deferred ordinary shares only participate to the extent of their par value of 0,04 cents).
Net debt	> is the aggregate of interest-bearing borrowings, non-redeemable, non-participating preference shares less cash resources.
Net capital expenditure	> is the aggregate of the expansion and replacement capital expenditure of rental assets and non-rental assets net of proceeds on sale.
Net working capital	> is inventories plus trade and other receivables less trade and other payables and provisions.
Operating assets	> total assets less loans receivable, tax assets, assets of discontinued operations, assets of disposal group and in the prior year cash resources in respect of non-financial services segments.
Operating liabilities	> total liabilities less interest-bearing borrowings, tax liabilities, put option liabilities, liabilities of discontinued operations and liabilities of disposal groups.
Operating margin (%)	> operating profit divided by revenue.
Pre-tax profit	> calculated as profit before tax, impairment of goodwill and profit or loss on sale of investment in subsidiaries, associates and joint ventures and other businesses.
Return on invested capital (%)	> this is the return divided by invested capital. > return is calculated by reducing the operating profit by a blended tax rate, which is an average of the actual tax rates applicable in the various jurisdictions in which Imperial operates, increased by the share of result of associates and joint ventures. > invested capital is a 12-month average of – total equity plus non-redeemable, non-participating preference shares plus interest-bearing borrowings less cash resources in non-financial services businesses.
Weighted average cost of capital (WACC) (%)	> calculated by multiplying the cost of each capital component by its proportional weight, therefore: WACC = (after tax cost of debt % multiplied by average debt weighting) + (cost of equity multiplied by average equity weighting). The cost of equity is blended recognising the cost of equity in the different jurisdictions in which Imperial operates.

Corporate information

Imperial Logistics Limited

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

Directors

P Langeni# (Chairman), M Akoojee (Chief Executive Officer), RJA Sparks# (lead independent director), P Cooper#, GW Dempster#, T Skweyiya#, M Swanepoel, JG de Beer (Chief Financial Officer)

Independent non-executive

Company Secretary

RA Venter

Investor Relations and Communications Executive

E Mansingh

Business address and registered office

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Jeppe Quondam
79 Boeing Road East
Bedfordview, 2007

Share transfer secretaries

Computershare Investor Services (Proprietary) Limited
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15 Biermann Avenue, Rosebank, 2196

Sponsor

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

The results announcement is available on the Imperial Logistics website: www.imperiallogistics.com/inv-interims.php

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