

AUDITED
PRELIMINARY RESULTS
FOR THE YEAR ENDED
30 SEPTEMBER 2019



Barloworld
Leading brands

One
Barloworld
delivering
value



About Barloworld

CORPORATE INFORMATION

Barloworld Limited

(Incorporated in the Republic of South Africa)

(Registration number: 1918/000095/06)

(Income tax registration number: 9000/051/71/5)

(JSE share code: BAW)

(JSE ISIN: ZAE000026639)

(Share code: BAWP)

(JSE ISIN: ZAE000026647)

(Namibian Stock Exchange share code: BWL)

("Barloworld" or "the Company" or "the group")

REGISTERED OFFICE AND BUSINESS ADDRESS

Barloworld Limited

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DIRECTORS

Non-executive

DB Ntsebeza (*Chairman*),

NP Dongwana, FNO Edozien †,

HH Hickey, MD Lynch-Bell *,

NP Mnxasana, NV Mokhesi,

SS Ntsaluba, P Schmid

Executive

DM Sewela (*Group Chief Executive*),

N Lila (*Group Finance Director*)

Group company secretary

Andiswa Ndoni

† Nigeria * UK

ENQUIRIES

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SPONSOR

Nedbank Corporate and Investent Banking

a division of Nedbank Limited

Barloworld is a distributor of leading international brands providing integrated rental, fleet management, product support and logistics solutions. The core divisions of the group comprise Equipment (earthmoving equipment and power systems), Automotive (car rental, motor retail, fleet services, used vehicles and disposal solutions) and Logistics (logistics management and supply chain optimisation). We offer flexible, value adding, innovative business solutions to our customers backed by leading global brands. The brands we represent on behalf of our principals include Caterpillar, Avis, Budget, Mercedes-Benz, Toyota, Volkswagen, Audi, BMW, Ford, Mazda, and others.

Barloworld has a proven track record of long-term relationships with global principals and customers. We have an ability to develop and grow businesses in multiple geographies including challenging territories with high growth prospects. One of our core competencies is an ability to leverage systems and best practices across our chosen business segments. As an organisation we are committed to sustainable development and playing a leading role in empowerment and transformation. The company was founded in 1902 and currently has operations in 16 countries around the world with 15 396 employees.



EQUIPMENT

Earthmoving equipment and power systems



AUTOMOTIVE

Car rental, motor retail, fleet services, used vehicles and disposal solutions



LOGISTICS

Logistics management and supply chain optimisation

SALIENT FEATURES

Pleasing performance

from Equipment southern Africa (snA), Equipment Russia and our Bartrac JV in challenging trading conditions

Strong performance

from Automotive amidst a tough macroeconomic environment

Logistics

impacted by non-core businesses held for sale and KLL closure costs

STRONG FREE CASH GENERATION OF

R3.1bn

2018: R3.6bn (included R2.5bn from the Iberian operation sale)

2017: R3.4bn

GROUP RETURN ON INVESTED CAPITAL

11.9%

2018: 12.3%

2017: 11.2%

NORMALISED HEADLINE EARNINGS PER SHARE *

FROM CONTINUING OPERATIONS INCLUDING AVIS FLEET

1 167 cents up 1.4%

2018: up 18%

2017: up 16%

HEADLINE EARNINGS PER SHARE OF

1 100 cents

2018: 1 192 cents per share

EARNINGS PER SHARE OF

1 150 cents

2018: 1 823 cents per share

TOTAL DIVIDEND PER SHARE

462 cents

2018: 462 cents

2017: 390 cents

TOGETHER WITH A SPECIAL DIVIDEND OF 228 CENTS PER SHARE

(subject to Exchange Control approval)

Avis Fleet

held for sale at 30 September 2019

Khula Sizwe

B-BBEE transaction oversubscribed and funding target met



DOMINIC SEWELA

Chief Executive



DUMISA NTSEBEZA

Chairman

“

The group delivered a resilient set of results despite the challenges in certain sectors, with our Fix, Optimise, Grow strategy and managing for value approach firmly in place across the group.

Normalised HEPS* was up 1.4% from the previous year, driven by pleasing performance from Equipment S&A and Equipment Russia as well as strong performance from Automotive delivered in the context of tough trading conditions. While Logistics' revenue and operating profit were down, the turnaround project is still on track and the merger of Automotive and Logistics creates a platform for innovation and the ability to extract further value from combined strategic sourcing opportunities.

The due diligence for the acquisition of Wagner Asia in Mongolia is complete.

”

DOMINIC SEWELA

Chief Executive

“

I am honoured and privileged to have been a member of the Barloworld board for just over twenty years and chairman for twelve. During this time, I have seen the group weather many changes and challenging macro-economic dynamics. Throughout the years, the Barloworld management team has also evolved and continued to demonstrate resilience, focus and the ability to defy limits. The diversified, inclusive Barloworld of today has been shaped by a board determined to make the company a 21st century, progressive and profitable organisation, committed to the values of integrity and honesty but also committed to truly representing the demographics of South Africa. I am proud to have played a part in establishing this legacy and believe the company will continue to grow from strength to strength.

”

ADVOCATE DUMISA NTSEBEZA

who is retiring as chairman at the next AGM on 12 February 2020

Chief Executive's report

OVERVIEW

The group produced a resilient result given the challenging economic and trading conditions as well as the impact of numerous once-off events in the year. Revenue of R56.8 billion (2018: R60.1 billion) was down 5.4% from the prior year. Operating profit for the group was down 13.0% to R3 272 million (2018: R3 762 million), with the operating margin declining from 6.3% to 5.8%.

Normalised HEPS* of 1 167 cents, excluding the impact of the B-BBEE transaction charges and the Guaranteed Minimum Pension (GMP) equalisation charge, was 1.4% up on the prior year (2018: 1 151 cents). Including these charges HEPS from continuing operations including Avis Fleet was down 4.4%.

The group generated a return on invested capital (ROIC) of 11.9%, down on the 12.3% achieved in 2018.

A total dividend of 462 cents per share was declared (2018: 462 cents per share) together with a special dividend of 228 cents per share (subject to Exchange Control approval).

OPERATIONAL REVIEW

HEALTH AND SAFETY

At Barloworld we actively promote health and safety with policies and practical programmes that help our people, suppliers and contractors safeguard themselves and their colleagues at all times. During the year the group LTIFR was lower than the prior year and below our target. The safety performance of Automotive and Logistics, together with Equipment southern Africa, improved year-on-year.

As reported at the interim results, we tragically, and regrettably, incurred a work-related fatality in Equipment Russia. We have taken actions to ensure the incident is not repeated and through our ongoing focus on safety across the group, we continue to target zero harm.

PERFORMANCE OVERVIEW

Performance by **Equipment southern Africa** was strong, with full year revenue increasing by 3.3% to R20.4 billion. The contribution of aftermarket sales improved from 52% in the prior year to 54%, driven by strong growth in parts and service. Operating profit increased slightly to R1 836 million, but operating margin was marginally lower at 9.0% (2018: 9.1%), due to foreign exchange impact. Income from associates increased to R249 million (2018: R247 million). Our Bartrac Joint Venture (JV) in the Democratic Republic of Congo (DRC) continued to deliver strong results, despite reduced activities in key customer operations. Gains from our Bartrac JV, however, were offset by losses in our Barzem JV in Zimbabwe as a result of the rebased currency from USD to RTGS.

Equipment Russia also demonstrated resilience with revenue of USD433 million for the period. The reduction in revenue of 28.6% in USD terms when compared with 2018 was driven primarily by the inclusion of large package mining machine deals in the 2018 results not repeated in the current year. The imposition of increased duties for US-manufactured products in August 2018 impacted demand but had a lesser effect than originally estimated.

CHIEF EXECUTIVE'S REPORT CONTINUED

A sustained after-market performance had a positive impact on margins. The operating profit of USD50 million was 18.7% down in USD terms and 11.9% down in South African Rand (ZAR) terms due to the weaker Rand. The operating margin in USD terms improved to 11.6% (2018: 10.3%) as a result of the sales mix and continued cost control.

The **Automotive** division delivered strong results despite persistent challenges across the industry. Whilst revenues were impacted by the change in revenue recognition from principal to agency model at Mercedes-Benz (passenger), increased competition and lower used car sales; cost containment and prudent invested capital management contributed to improved performance.

In **Logistics**, revenues and operating profit were significantly impacted by increased trading losses in KLL and SmartMatta, the closure of KLL, the currency impact on our Zimbabwean business and non-renewal of contracts in late 2018. This was a disappointing result on the back of the gains made in the prior year. Looking forward, we expect the business turnaround project as well as the merger between our Automotive and Logistics businesses to deliver synergies and cost reductions to improve the returns.

FUNDING

Net interest-bearing debt of R1.1 billion was R2.2 billion down on the prior year (2018: R3.3 billion) driven by strong cash conversion in our businesses and the cash holdings from the sale of Iberia in the prior year.

BOARD CHANGES AND SUCCESSION PLANNING

Barloworld is committed to forward-thinking succession planning to ensure stability within the leadership. The board ensures that it has robust succession plans that recognise the businesses' current and future needs, taking into account the group's strategy.

On 30 September 2019 we announced the retirement of our Chairman Adv. Dumisa Ntsebeza with effect from 12 February 2020 and the appointment of Mrs Neo Dongwana as our new Chairperson with effect from 13 February 2020.

With Mr Don Wilson retiring as the Acting Chief Financial Officer in February 2020 Ms Nopasika Lila was appointed Group Finance Director with effect from 1 August 2019.

The board welcomes Ms Nopasika Lila and congratulate her and Mrs Neo Dongwana on their new appointments, and thanks Adv. Dumisa Ntsebeza and Mr Don Wilson for their valuable service and contribution to the Board and Barloworld.

DIFFERENTIATING OUR BUSINESS AND WINNING THROUGH OUR PEOPLE

Our people are critical to our success and we have over the last year continued to nurture their ability to delight our customers, inspire a world of difference and enable growth and progress in the societies we operate in. Our robust approach to talent management enabled us to mobilise and deploy talent in critical areas of the business.

We continued our efforts to instill a high performance culture through business aligned performance objectives, robust progress/review conversations as well as incentive plans that encourage exceptional contribution, in the right way.

We illustrated our commitment towards diversity and inclusion (D&I) by increasing the D&I weighting on the balanced scorecards of all our leaders.

Our investment in leadership development culminated in the finalisation of the One Barloworld Leadership Competency Framework (LCF) that gives all leaders clear and consistent guidelines of the behaviours required to create a business legacy that will benefit future generations. The LCF is one of the critical factors for the success of the leadership transformation we have embarked on through Barloworld Business System (BBS).

This year we were selected and honoured as one of the top three Rising Star Employer Brands in South Africa at the 2019 LinkedIn Talent Awards. This is a great achievement as we strive to engage and attract suitable talent.

Our new Broad-based Black Empowerment (B-BBEE) transaction, approved by shareholders in February this year, was oversubscribed with 55 000 applications received and the R163 million funding target met. We believe the appeal of the transaction lies in the fact that it is essentially a property deal, which differentiates it from many other B-BBEE transactions.

GROUP STRATEGY

Progress continues in respect of all four areas identified in the group strategy.

Fix: The group continues to address the non-core assets in Logistics and drive the performance of the business to achieve its hurdle rates within the predetermined period. The disposal of non-core assets including the Middle East logistics business and SmartMatta is underway.

Optimise: We completed a Motor Retail portfolio review and cost reduction programme that contributed to the results. Cost savings within the broader automotive and logistics division were identified and actively pursued together with a further possible restructure of the car rental assets. We are continuing the operational transformation of Equipment SnA.

Grow: The acquisition of the Mongolian equipment business is progressing. Due diligence is complete with final negotiation of legal and commercial matters being finalised. The group continues to assess the optimal deployment of capital and is assessing various growth initiatives in adjacent sectors or carefully identified sectors in line with a clear set of guardrails.

Active shareholder model: The group has fully adopted its managing for intrinsic value approach and is now turning its efforts towards business transformation through the BBS. This system is expected to enhance foundational capabilities across the group by focusing on several aspects including Leadership, Culture, Business Excellence, Digital and Innovation. These are supported by fundamental elements that include Respect for People and Continuous Improvement while acknowledging that the Customer determines value. The redevelopment of the Barlow Park at 180 Katherine Street precinct in Sandton commenced in April 2019 however the property is yet to be sold to the consortium.

CHIEF EXECUTIVE'S REPORT CONTINUED

As noted at half year, the performance of the group was impacted by a once-off charge of R88 million (£4.7 million) which was required to equalise the GMP in the UK defined benefit pension scheme. Furthermore, once-off costs related to the implementation of our "Khula Sizwe" B-BBEE transaction were incurred in the year. Both these charges impacted the corporate segment result. So too, did continued investment in corporate actions and in building critical skills at the Corporate Centre to drive the active shareholder operating model.

We are positive that despite the challenging macroeconomic environment as well as volatile geopolitical dynamics, Barloworld will continue to generate pleasing results. The implementation of our strategy in line with our active shareholder operating model as well as the roll out of our business transformation initiatives have placed the group in the best position to deliver value in the short to medium term.



DOMINIC SEWELA

Group chief executive

Group financial review

In September 2019, management took a firm decision to dilute the group's interest in the Automotive leasing business to a 50% shareholding, with the ultimate aim to form a JV ownership structure. In terms of International Financial Reporting Standards (IFRS) 5: Non-current assets held for sale, the group has reported the results of the Automotive leasing business separately as a discontinued operation and assets and liabilities held for sale. The following commentary is against restated comparatives to reflect the year on year results from continuing operations unless specifically stated. In addition, the group reduced its shareholding in NMI-DSM to 50% effective 1 September 2019 and as such, this entity has been deconsolidated from the group and earnings from this date have been equity accounted for.

The group adopted IFRS 15: Revenue from contracts with customers and IFRS 9: Financial instruments in the reporting period. However, the impact of these new accounting standards has not been significant to the group's results.

FINANCIAL PERFORMANCE FROM CONTINUING OPERATIONS FOR THE YEAR ENDED 30 SEPTEMBER 2019

Revenue for the group decreased by 5.4% from R60.1 billion to R56.8 billion. Equipment southern Africa performed well and generated revenue of R20.4 billion (2018: R19.8 billion). The 3.3% increase over the prior year was mainly as a result of strong aftermarket activity.

Following a record performance in 2018, Equipment Russia's revenues decreased by 28.6% to USD433 million (2018: USD606 million), with the impact on the group's results softened by the weaker Rand. Automotive revenues of R25.0 billion (2018: R26.5 billion) were down 5.6%. The Automotive business was impacted by the change in revenue recognition model for Mercedes Benz. The marginal rental rate increase in Car Rental was offset by the decline in rental days and lower used car revenues. Logistics' revenues were 12.6% down at R5.2 billion (2018: R5.9 billion) largely as a result of the closure of KLL, the downside currency impact on our Zimbabwean business, lower trading activity and non-renewal of contracts in late 2018.

Operating profit for the group was down 13.0% to R3 272 million (2018: R3 762 million) with the operating margin declining from 6.3% to 5.8%. Equipment southern Africa's operating profit was marginally up at R1 836 million (2018: R1 790 million), impacted by the stronger aftermarket sales mix, market pressures and investments in business transformation. Russia managed to improve the quality of the operating margin from 10.3% to 11.6% due to the change in sales mix and tight control over expenses.

Automotive delivered strong results with operating profit of R1 084 million, 2.3% ahead of last year (2018: 1 060 million) on the back of a solid performance in Motor Trading. In Logistics, operating profit was impacted by the factors driving the revenue decline, particularly the KLL losses and closure costs amounting to R92 million (2018: R47 million).

GROUP FINANCIAL REVIEW CONTINUED

The performance of the group was impacted by a once-off charge of R88 million (GBP4.7 million) which was required to give effect to the GMP equalisation requirements of the UK defined benefit pension scheme. Furthermore, R73 million of costs related to the implementation of our “Khula Sizwe” B-BBEE transaction were incurred in the year. Both these charges impacted the corporate segmental result together with continued investment in corporate actions and skills at the Corporate Centre to drive the active shareholder strategy.

Fair value adjustments on financial instruments were positive (income) in the year, totalling R32 million (2018: R122 million expense). These gains were driven by the decision to convert GBP150 million of the Equipment Iberia sale proceeds to USD in March 2019 in anticipation of the acquisition of the Mongolian Caterpillar dealership. The subsequent weakening of the Sterling against the USD resulted in foreign exchange gains of R173 million. This gain was offset by the cost of forward points on foreign exchange contracts and movements on foreign currency denominated monetary items.

Finance costs, excluding those attributable to the Avis Fleet discontinued operation of R277 million (2018: R268 million), decreased to R808 million (2018: R877 million) as a result of lower borrowings across the group and prudent invested capital management within the operations.

Gains from non-operating and capital items of R87 million resulted largely from the R212 million write-up of our remaining 50% investment in NMI-DSM from cost to fair value as required by IFRS 3: Business Combinations, together with a R5 million gain on the disposal of our 1.18% controlling interest in this business and profits realised on the sale of KLL trucks in Logistics.

These gains were offset by further impairments taken against the Logistics businesses held for sale, as well as property and investment impairments in Automotive.

The effective tax rate (ETR) (excluding the finance costs associated with Avis Fleet and prior year taxation and non-operating and capital items) was marginally down to 28.8% (2018: 29.1%). The lower rate was largely driven by local currency movements against the USD functional currency and taxes on gains made on the US-linked Angolan bonds and other capital items. This was somewhat offset by losses in KLL for which no deferred tax has been recognised, together with the effect of currency translation on reduced inventory holdings in the group.

Profits from associates and joint ventures was largely flat on the prior year at R231 million (2018: R235 million). Despite increased activity in the first three quarters of the year from our Bartrac JV in the Katanga province of the DRC, profitability slowed in the last quarter as a result of regulatory uncertainty and weakening cobalt prices, with annual equity accounted earnings totalling USD37.4 million (R268 million) compared to USD38.3 million (R251 million) in 2018. NMI-DSM was recognised as an associate effective 1 September and contributed R4 million to equity accounted earnings. These gains were offset by losses of R21 million incurred by our Zimbabwean investments in Barzem arising from the devaluation of its local currency-based monetary assets and R16 million in losses incurred by BHBW (Pty) Ltd, our agriculture and handling JV.

Profits from discontinued operations, including the impact of finance charges on debt utilised in funding these businesses, incorporated the Avis Fleet business together with the results of the Iberian operations from the prior year.

Avis Fleet generated profits of R210 million (2018: R253 million) and was impacted by lower used car revenues due to contract extensions. In the current year certain tax uncertainties related to our Iberian operations were resolved, resulting in the reversal of previously held provisions totalling R33 million.

Normalised HEPS* of the group stood at 1 167 cents, excluding the impact of the B-BBEE transaction charges and the GMP equalisation charge which was 1.4% up on the prior year (2018: 1 151 cents). Including these charges, HEPS was down 4.4%.

CASH FLOW

The group generated R3.1 billion in free cash flows against R3.6 billion in the prior year. This is a notable improvement in the cash conversion of our operations particularly when considering that prior year investing cash flows included R2.5 billion from the sale of our Iberian operations.

The group's investment in working capital decreased by R2.8 billion largely due to reductions in inventories and receivables. Investments in rental fleets across the Automotive and Equipment rental fleets were contained at R1.9 billion (2018: R2.2 billion). Overall cash flows from operations were significantly improved at R2.5 billion (2018: R747 million).

The investment in the Angolan government bonds to hedge our in-country exposure reduced to USD57 million compared to USD64 million at September 2018. The limited movement in the year is a result of our investment in longer dated bonds with maturities through to 2022. Where possible, we have taken full advantage of increased USD liquidity and repaid USD22 million to the UK holding company.

Investing cash flows largely related to investments in technology to enable our digital and business transformation strategies, and in the development of the Equipment southern Africa campus in Isando.

FINANCIAL POSITION

Total assets employed in the group decreased to R47.2 billion (2018: R49.3 billion) driven by the deconsolidation of NMI-DSM, together with lower working capital and a decrease in cash.

Net assets held for sale of R3.6 billion (2018: R371 million) comprise the Avis Fleet business, Logistics Middle East and SmartMatta businesses together with the Barlow Park office park currently undergoing re-development and certain properties in our Equipment snA business. The KLL business held for sale in 2018 was closed down during the year.

The UK pension scheme deficit increased from R1.8 billion (GBP95 million) to R2.1 billion (GBP113 million) mainly due to a decrease in the AA corporate bond yield which increased the estimated future pension liability.

The group continues to execute on the recovery plan agreement reached with the trustees and UK Pensions Regulator in 2018. Total contributions of GBP22 million have been made in 2019 financial year of which GBP16 million relates to the recovery plan and GBP6 million related to the capital reduction program. A further seven payments of GBP13 million per year still have to be made in the 2020-2026 financial years.

GROUP FINANCIAL REVIEW CONTINUED

During the year the UK Group agreed a capital restructure plan whereby Barloworld Holdings Group will distribute GBP70 million through a mixture of dividends and capital reduction to South Africa whilst making an additional one-off contribution of GBP30 million into the pension fund (GBP6 million was paid at the end of the 2019 financial year).

Net interest-bearing debt of R1.1 billion was R2.2 billion down on the prior year (2018: R3.3 billion) driven by strong cash conversion in our businesses and the cash holdings from the sale of Iberia in the prior year.

NORMALISED RETURNS

	Sep 2019	Sep 2018
ROIC (rolling 12 months) (%)	11.9	12.3
EP (rolling 12 months) (R million)	(323)	(48)
Free cash flows (R billion)	3.1	3.6
Return on ordinary shareholders funds (%)	10.4	11.4

The group has higher than optimal levels of invested capital and lower than optimal leverage. Consequently, ROIC, EP and ROE declined during the year. We remain committed to deploying this capital towards targeted growth opportunities that will create value for our shareholders or, should these opportunities not materialise, a share buy-back will be considered should our share price be below our view of the group's intrinsic value.

DEBT

In September 2019, BAW24, totalling R501 million was refinanced with a three-year bond, BAW31, for R500 million. The increase of liquidity volumes and tightening of spreads within this market was favourable for bond issuances. Overall, the group debt maturity profile is strong, with total interest-bearing debt down by R2.8 billion to R8.4 billion (2018: R11.2 billion).

At 30 September 2019 the group had unutilised borrowing facilities of R10.6 billion (2018: R10.6 billion) of which R7.1 billion was committed (2018: R8.0 billion).

During the year, the group's ratio of long-to short-term debt was 56:44 compared to 54:46 at end September 2018.

Cash and cash equivalents were R7.2 billion (2018: R7.9 billion) highlighting our strong, liquid balance sheet position.

Optimising the capital structure of the group to enhance returns will be greatly assisted by the capital reduction in the UK group and the increased leverage of the offshore operations, including the potential acquisition of the Mongolian Caterpillar dealership. Executing on the sale of non-core Logistics businesses and the dilution of our interest in the Avis Fleet business are key priorities for management in 2020.

Generating free cash flows remains imperative. So too, does ensuring that the group's assets generate a return on invested capital above our target weighted average cost of capital target of 13.0%. Our strong cash position, which will be bolstered by the capital release from the Khula Sizwe transaction, will enable us to take advantage of high growth opportunities which we continue to explore through a dedicated mergers and acquisitions function led by the Corporate Centre.

Our most recent projections indicate that if we execute successfully on the various strategies currently underway, we could realise a ROE uplift in excess of our current ROE target of 15% by around 2022.



NOPASIKA LILA
Group finance director

Operational reviews

EQUIPMENT

R million	REVENUE Full year ended		OPERATING PROFIT/(LOSS) Full year ended		INVESTED CAPITAL Full year ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
Equipment	26 619	27 572	2 555	2 594	14 711	14 811
— southern Africa	20 434	19 775	1 836	1 790	11 313	11 659
— Russia	6 185	7 797	719	804	3 398	3 152
Handling	28	114	4	(20)	255	315
Equipment and Handling	26 647	27 686	2 559	2 574	14 966	15 126
Share of associate profit			227	241		

Equipment southern Africa delivered a strong performance despite difficult trading conditions, including a slowing construction sector. Revenue increased by 3.3% to R20.4 billion, as a result of a 7.7% growth in aftermarket. Total machine sales including engines were flat compared to the prior year. Mining product sales grew by 20.8% supported by demand in contract mining, but the growth was offset by a 10.9% reduction in construction product sales, as challenging trading conditions in the sector persisted. Revenue from our Energy and Transportation business grew marginally, impacted by an increase in demand in projects in RSA and lower sales in Angola.

Operating profit increased to R1 836 million in line with revenue growth, but the operating margin ended marginally lower than prior year at 9.0% (2018: 9.1%) due to the foreign exchange rate impact. Net expenses grew below inflation, at 3.6%, despite the cost of business rationalisation in Botswana and Angola and ongoing investment in the operational transformation programme. Income from associates increased to R249 million (2018: R247 million). Our Bartrac JV in the DRC generated income of R268 million (2018: R251 million), despite reduced activities in key customer operations. Gains from the Bartrac JV were offset by losses in our Barzem JV in Zimbabwe as a result of the rebased currency from USD to RTGS.

Invested capital reduced by R345 million despite exchange rate impact. Average invested capital, however, increased by 5.6% to R11 486 (2018: R10 880) resulting in a reduction in return on invested capital from 12.7% the prior year to 12.5%. Free cash generation of R2 014 million over the period, was significantly up compared to cash outflow of R99 million the prior year.

Equipment Russia continued to benefit from robust mining activity combined with stability in commodity prices, particularly in the gold sector. However, reduced thermal coal prices had a negative impact on results, as did increased duties for US manufactured products, although the impact of the latter was still less than expected. This was due largely to close collaboration with Caterpillar and our customers. Revenue for the year of USD433 million was 28.6% lower than the prior period due to a decrease in mining prime product sales. Aftermarket revenue was in line with the prior year in USD terms but improved as a percentage of total turnover from 37% in 2018 to 51% in the current year, which positively impacted profitability.

OPERATIONAL REVIEWS CONTINUED

Operating profit of USD50 million was down 18.8% (2018: USD62 million). The operating margin improved to 11.6% (2018: 10.3%) as a result of the sales mix and continued cost control. The Russian operations generated positive cash year on year driven by profitable result and working capital management. ROIC of 17.7% was well above the group threshold of 13%. The decline in returns was attributed to lower operating profit and a 5% increase in average invested capital.

AUTOMOTIVE AND LOGISTICS

R million	REVENUE Full year ended		OPERATING PROFIT Full year ended		INVESTED CAPITAL Full year ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
— Car Rental	6 271	6 528	523	536	3 259	3 652
— Motor Trading	18 736	19 955	561	524	2 091	2 505
Continuing operations	25 007	26 523	1 084	1 060	5 350	6 157
Discontinued — Avis Fleet	3 372	3 326	625	641	3 862	3 899
Automotive	28 379	29 809	1 709	1 701	9 212	10 056
— southern Africa	5 074	5 807	31	255	1 446	1 592
— Europe and Middle East	105	117	7	7	7	8
Logistics	5 179	5 924	38	262	1 453	1 600
Automotive and Logistics *	30 186	32 407	1 122	1 322	10 665	11 656
Share of associate profit/(loss)			4	(6)		

* Excluding Avis Fleet.

Notwithstanding the challenging trading environment that continued from the previous year the **Automotive division** delivered a pleasing result with continuing operations improving operating profit by 2.3% off a revenue decline of 5.1%. On a like for like basis, excluding the impact of Avis Fleet being held for sale, operating profit increased by 0.5% and yielded an operating margin of 6.0% against 5.7% in the prior year. Revenue declined by 4.8% mainly as a result of the change in revenue recognition from the principal to agency model in Mercedes-Benz (passenger) and the impact of the deconsolidation of NMI-DSM for the month of September 2019. On a comparable basis, revenue was down 1.0% and operating profit improved by 1.3%. A ROIC of 13.2% was achieved compared to 12.4% in 2018, above the target of 13.0%.

Car Rental produced a reasonable result supported by the positive growth in the industry during the second half of the year. Operating profit declined by 2.5% against a revenue decline of 3.9%. Revenue was impacted by lower used vehicle volumes and rental days offset by a reasonable rental rate increase in a highly price competitive market. The business improved used vehicle margins despite a subdued market and also managed vehicle costs, improving operating margin to 8.3%. Management remains focussed on addressing costs and driving operational efficiencies to further improve returns. Market leading utilisation of 76% was maintained. Despite a lower operating result, the business improved ROIC.

Motor Trading delivered an exceptional result, increasing operating profit by 7.1% in a declining market. Although new vehicle units declined by 4.8%, the business outperformed the negative growth of 5.6% reported by NAAMSA in the brands represented. Revenue declined by 6.1% compared to the prior year impacted by the change in revenue recognition in Mercedes-Benz (passenger) as well as the deconsolidation of NMI-DSM effective 1 September 2019. On a comparable basis revenue declined by 0.4% and operating profit improved by 9.7%. The business achieved an operating margin of 3.0% compared to 2.6% in the prior year. Actions taken since 2017, the alignment of costs and structures, turnaround of non-profitable dealerships and rationalisation of properties, continue to yield positive returns and strengthen performance. Aftermarket contribution to the overall result remains strong. ROIC improved by four basis points on the prior year, driven by improved operating profit and a focus on invested capital by reducing working capital as well as the disposal of properties relating to the Khula Sizwe transaction.

As part of the Barloworld capital release programme, aimed at effective resource allocation and optimal deployment of capital to enhance ROIC, management is committed to final stages of concluding the transaction diluting the group's shareholding in Avis Fleet to 50% to form a JV. Subsequent to the anticipated transaction in 2020, the Avis Fleet results will be deconsolidated and equity accounted. Avis Fleet delivered a good result with revenue up 1.4%, with lower used vehicle and ad hoc revenues partially offsetting the higher leasing revenues earned. Operating profit declined by 2.5% mainly as a result of a lower contribution from used vehicles in contrast to 2018, which benefited from higher used vehicle volumes as a result of large contract re-fleets and de-fleets. The total fleet under management grew by 4.7%.

The Logistics business achieved disappointing results during the year. Revenue decreased by 13% due to non-renewal of contracts at the end of 2018, the re-introduction of the Zimbabwean dollar and the closure of the KLL business. Operating profit decreased significantly on the prior year on the back of civil unrest, unplanned port strikes and lower trading activity in represented industries. Excluding the closure costs of the KLL business and the trading losses of non-core operations, the operating profit was R160 million, down 48%. Increased fleet costs driven by fleet ownership model change were the biggest contributors to the deteriorating result in operating profit.

Following the strategic review of the Logistics portfolio, the sale of the Middle East and SmartMatta businesses are expected to reach conclusion by March 2020. Core operations delivered a normalised ROIC of 9.5% versus 11.7% in the prior year, within the targeted range set for the business' three year turnaround strategy. The weaker operating performance offset the impact of the 8.5% reduction in invested capital that was mostly driven by balance sheet initiatives taken in 2018. Management continue to drive the turnaround strategy.

The integration of **Automotive and Logistics** has provided the division with the opportunity to review the management structure, consolidate functions into shared services and extract value from combined strategic sourcing. We expect to realise savings in the next financial year. The implementation of BBS is expected to contribute towards improved efficiencies with positive benefits anticipated in 2020 for the division.

CORPORATE

R million	REVENUE		OPERATING LOSS		INVESTED CAPITAL	
	Full year ended		Full year ended		Full year ended	
	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
Southern Africa	1	1	(253)	(74)	1 033	652
Europe			(156)	(59)	(1 707)	(1 424)
	1	1	(409)	(133)	(674)	(772)

The **Corporate Office** primarily comprises the operations of the group headquarters and treasury in Johannesburg, the treasury in Maidenhead (United Kingdom) and the captive insurance company. In line with our managing for value principles we have invested in an active Corporate Centre as a key enabler to our strategy. Over the last two years we have relocated specific skills from the underlying divisions and, in cases where new skills were needed, recruited key talent externally. This has created centres of excellence in the areas of strategy, mergers and acquisitions (M&A), human capital and corporate affairs which, over the last three years, has centralised approximately R25 million worth of employee costs previously recognised in the divisions. These corporate functions provide group-led strategic direction and facilitate collaboration to deliver on the group strategy. In centralising these functions and ensuring smooth leadership transitions in key positions (including the Group Finance Director), Corporate South Africa invested R40 million in skills in 2019. We are working towards re-deploying duplicated functions to value adding activities within the group.

The UK incurred a R88 million (GBP4.7 million) charge to equalise the GMP within our historic UK defined benefit pension fund. The implementation of our Khula Sizwe B-BBEE transaction contributed R73 million in costs. The facilitation charges will be held in the Corporate segment together with the dividends paid to the Barloworld Empowerment Foundation for the 3% interest the entity will hold in the group. Plans for the re-deployment of R2.2 billion of capital released from this deal are in progress, underpinned by the investments being made in M&A activities.

Notably, the central treasury has worked to maintain efficient funding rates for the group and the corporate-led strategic drive for efficiencies and working capital management, underpinned by BBS, has set the foundation for improved returns from our businesses. During the year, investments in corporate activities and other strategic projects of R43 million included due diligence for the acquisition of the Mongolian Caterpillar dealership and the preparation to execute on the capital reduction from the UK operations and the dilution of our shareholding in Avis Fleet.

LOOKING AHEAD

We are positive that despite the challenging macroeconomic environment as well as volatile geopolitical dynamics, Barloworld will continue to generate pleasing results. The implementation of our strategy in line with our active shareholder operating model as well as the roll out of our business transformation initiatives put the group in the best position to deliver value in the short to medium term.

We are already seeing the benefits of the BBS being realised in Equipment southern Africa, through increased cash flows and reductions in invested capital. This trend is expected to continue. The resourcing of the active corporate centre is nearing completion and we anticipate a period of adjustment in 2020 as duplicated functions are re-deployed from our divisions to higher value activities across the group.

In terms of Equipment southern Africa, significant improvement in the markets we serve will be slow in the short term. Nonetheless, we have an opportunity to grow machine market share significantly with the introduction of a new competitive product range. We are also well positioned to grow our parts market share in the large construction segment. We will continue our focus on managing levers under our control which include prudent cost containment and invested capital reduction in the short to medium term and until the operating environment improves. Income from our Bartrac JV is expected to reduce in the short term due to ongoing plant reconfiguration work at a key customer operation.

The South African consumer is still under pressure with the industry forecast impacted by the cautious outlook for growth. It is anticipated that new vehicle sales will remain challenging in 2020. However, the business continues to focus on improving the returns of dealerships to ensure resilience in the short to medium term. While industry rental days are expected to remain subdued in Car Rental, the business expects to drive top line revenue growth through yield management.

Subsequent to the sale of our 50% shareholding, the Avis Fleet business will be deconsolidated and become a major contributor to income from joint ventures.

Logistics is expecting a much improved performance going forward following the closure of KLL and the disposal of the Middle East and SmartMatta businesses. The business turnaround project continues to be a priority for management and remains a key factor in ensuring ongoing improved profitability. High contract renewal rates together with new business secured in 2019 is a strong foundation for the future. The business team has been further strengthened to drive growth and capitalise on opportunities in the market and internal fulfilment. Notwithstanding the disappointing result of our Logistics business in the current year, we expect to begin realising cost efficiencies and operational synergies from the integration of our Automotive and Logistics businesses in the short to medium term.

* Certain information presented in this announcement is regarded as proforma information. This information has been prepared for illustrative purposes only, is the responsibility of the board of directors of Barloworld has not been reviewed or reported on by the company's external auditors and, because of its nature, may not fairly present the Company's financial position.

Dividend and special dividend declaration

Notice is hereby given that total dividend number 182 of 297 cents (gross) per ordinary share in respect of the 12 months ended 30 September 2019 has been declared subject to the applicable dividends tax levied in terms of the Income Tax Act (Act No. 58 of 1962)(as amended) (the "Income Tax Act"). In addition, the group has declared a special dividend of 228 cents per share for the 12 months ended 30 September 2019 subject to Exchange Control approval. A further announcement will be released once the Exchange Control approval has been obtained.

In accordance with paragraphs 11.17(a)(i) to (ix) and 11.17(c) of the JSE Listings Requirements the following additional information is disclosed:

- The dividend and special dividend has been declared out of income reserves;
- Local dividends tax rate is 20% (twenty per centum);
- Barloworld has 212 692 583 ordinary shares in issue;
- The gross local dividend amounts are 297 cents per ordinary share for the dividend and 228 cents per ordinary share for the special dividend;
- The net dividend amount are 237.6 cents per share for the dividend and 182.4 cents per ordinary share for the special dividend.

In compliance with the requirements of Strate and the JSE Limited, the following dates are applicable:

Dividend declared	Friday, 15 November 2019
Last day to trade cum dividend	Tuesday, 7 January 2020
Shares trade ex-dividend	Wednesday, 8 January 2020
Record date	Friday, 10 January 2020
Payment date	Monday, 13 January 2020

Share certificates may not be dematerialised or re-materialised between Wednesday, 8 January 2020 and Friday, 10 January 2020, both days inclusive.

On behalf of the board

ANDISWA NDONI

Group company secretary

Summarised consolidated income statement

FOR THE YEAR ENDED 30 SEPTEMBER

		AUDITED	
R million	Note	2019	Restated 2018
CONTINUING OPERATIONS			
Revenue		56 834	60 094
Operating profit before items listed below		5 145	5 536
Impairment losses on financial assets and contract assets		(124)	
Depreciation		(1 561)	(1 634)
Amortisation of intangible assets		(115)	(140)
Operating profit before B-BBEE transaction charge		3 345	3 762
B-BBEE transaction charge		(73)	
Operating profit		3 272	3 762
Fair value adjustments on financial instruments		32	(122)
Finance costs		(1 085)	(1 145)
Income from investments		192	140
Profit before non-operating and capital items		2 411	2 635
Non-operating and capital items	3	87	(248)
Profit before taxation		2 498	2 387
Taxation		(771)	(870)
Profit after taxation		1 727	1 517
Income from associates and joint ventures		231	235
Profit for the year from continuing operations		1 958	1 752
DISCONTINUED OPERATIONS			
Profit from discontinued operations	6	519	2 168
Profit for the year		2 477	3 920
Net profit attributable to:			
Owners of Barloworld Limited		2 428	3 846
Non-controlling interest in subsidiaries		49	74
		2 477	3 920
Earnings per share from group (cents)			
— basic		1 150.2	1 823.8
— diluted		1 146.9	1 812.9
Earnings per share from continuing operations (cents)			
— basic		907.2	801.9
— diluted		904.6	797.1
Earnings per share from discontinued operations (cents)			
— basic		243.0	1 021.9
— diluted		242.3	1 015.8

Summarised consolidated statement of other comprehensive income

FOR THE YEAR ENDED 30 SEPTEMBER

R million	AUDITED	
	2019	2018
Profit for the year	2 477	3 920
Items that may be reclassified subsequently to profit or loss:	553	(874)
Exchange gains on translation of foreign operations	527	645
Translation reserves realised on disposal of foreign joint venture and subsidiaries		(1 502)
Gain/(loss) on cash flow hedges	32	(23)
Deferred taxation on cash flow hedges	(6)	6
Items that will not be reclassified to profit or loss:	(488)	345
Actuarial (losses)/gains on post-retirement benefit obligations	(588)	415
Taxation effect of net actuarial losses	100	(70)
Other comprehensive income/(loss) for the year, net of taxation	65	(529)
Total other comprehensive income for the year	2 542	3 391
Total other comprehensive income attributable to:		
Owners of Barloworld Limited	2 493	3 317
Non-controlling interest in subsidiaries	49	74
	2 542	3 391

Summarised consolidated statement of financial position

AT 30 SEPTEMBER

R million	Note	AUDITED	
		2019	2018
ASSETS			
Non-current assets		14 540	19 231
Property, plant and equipment		7 879	12 657
Goodwill		1 408	1 873
Intangible assets		1 527	1 528
Investment in associates and joint ventures		2 253	1 343
Finance lease receivables		2	211
Long-term financial assets		710	909
Deferred taxation assets		761	710
Current assets		26 871	29 531
Vehicle rental fleet		3 137	3 058
Inventories		8 072	9 592
Trade and other receivables		7 384	8 883
Contract assets		981	
Taxation		71	105
Cash and cash equivalents		7 226	7 893
Assets classified as held for sale	6	5 780	497
Total assets		47 191	49 259
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium		441	441
Other reserves		4 523	4 194
Retained income		18 659	17 598
Interest of shareholders of Barloworld Limited		23 623	22 233
Non-controlling interest		272	517
Interest of all shareholders		23 895	22 750
Non-current liabilities		7 336	8 917
Interest-bearing		4 621	5 995
Deferred taxation liabilities		356	632
Provisions		102	47
Other non-current liabilities		2 257	2 243
Current liabilities		13 738	17 466
Trade and other payables		9 363	11 122
Contract liabilities		601	
Provisions		507	1 100
Taxation		80	70
Amounts due to bankers and short-term loans		3 187	5 174
Liabilities directly associated with assets classified as held for sale	6	2 222	126
Total equity and liabilities		47 191	49 259

Summarised consolidated statement of cash flows

FOR THE YEAR ENDED 30 SEPTEMBER

R million	Note	AUDITED	
		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating cash flows before movements in working capital		6 474	8 111
Movement in working capital		765	(2 065)
Cash generated from operations before investment in leasing and rental fleets		7 239	6 046
Fleet leasing and equipment rental fleet		(1 118)	(1 593)
Additions		(2 940)	(3 305)
Proceeds on disposal		1 822	1 713
Vehicles rental fleet		(809)	(631)
Additions		(3 546)	(3 921)
Proceeds on disposal		2 737	3 290
Cash generated from operations		5 312	3 822
Finance costs		(1 134)	(1 184)
Realised fair value adjustments on financial instruments		(130)	(140)
Dividends received from investments, associates and joint ventures		72	113
Interest received		204	148
Taxation paid		(774)	(1 058)
Cash inflow from operations		3 550	1 700
Dividends paid (including non-controlling interest)		(1 057)	(953)
Cash retained from operating activities		2 493	747
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries, investments and intangibles	4	(54)	(86)
Proceeds on disposal of subsidiaries	5	(84)	2 342
Proceeds on disposal of investments and intangible assets		5	
Movements in investments in leasing receivables		161	(53)
Acquisition of other property, plant and equipment		(633)	(618)
Replacement capital expenditure		(154)	(244)
Expansion capital expenditure		(479)	(374)
Proceeds on disposal of property, plant and equipment		119	306
Net cash (used in)/generated from investing activities		(486)	1 891
Net cash inflow before financing activities		2 007	2 638

Summarised consolidated statement of cash flows continued

FOR THE YEAR ENDED 30 SEPTEMBER

R million	Note	AUDITED	
		2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares repurchased for equity-settled share-based payment		(122)	(43)
Purchase of non-controlling interest			(257)
Non-controlling interest loan contribution		9	
Khula Sizwe black public equity funding		164	
Proceeds from long-term borrowings		69	2 956
Repayment of long-term borrowings		(1 449)	(3 322)
Movement in short-term interest-bearing liabilities		(1 529)	1 746
Net cash (used in)/generated from financing activities		(2 858)	1 080
Net increase in cash and cash equivalents		(851)	3 718
Cash and cash equivalents at beginning of year		7 893	3 925
Cash and cash equivalents held for sale at the beginning of year		19	102
Effect of foreign exchange rate movement on cash balance		71	167
Effect of foreign exchange rate movement on USD denominated cash		171	
Effect of cash balances classified as held for sale		(77)	(19)
Cash and cash equivalents at end of year		7 226	7 893
Cash balances not available for use due to reserving restrictions		188	178

Summarised consolidated statement of changes in equity

FOR THE YEAR ENDED 30 SEPTEMBER

R million	AUDITED					
	Share capital and premium	Other reserves	Retained income	Attributable to Barloworld Limited shareholders	Non-controlling interest	Interest of all shareholders
Balance at 1 October 2017	441	5 144	14 690	20 275	602	20 877
Total comprehensive income for the year		(874)	4 191	3 317	74	3 391
Transactions with owners, recorded directly in equity						
Other reserve movements		(41)	55	14	(3)	11
Other changes in minority shareholders interest and minority loans			(183)	(183)	(75)	(258)
Disposal of subsidiary		(35)	(283)	(318)		(318)
Dividends			(872)	(872)	(81)	(953)
Balance at 30 September 2018	441	4 194	17 598	22 233	517	22 750
Total comprehensive income for the year		553	1 940	2 493	49	2 542
Transactions with owners, recorded directly in equity						
Cummulative adjustments for adoption of new standards			20	20		20
Other reserve movements		(224)	129	(95)	23	(72)
Other changes in minority shareholders interest and minority loans					173	173
Deconsolidation of subsidiary			(4)	(4)	(457)	(461)
Dividends			(1 024)	(1 024)	(33)	(1 057)
Balance at 30 September 2019	441	4 523	18 659	23 623	272	23 895

Summarised notes to the consolidated financial statements

FOR THE YEAR ENDED 30 SEPTEMBER

1. BASIS OF PREPARATION

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for reports, and the requirements of the Companies Act applicable to financial statements.

The JSE Listings Requirements require reports to be prepared in accordance with IAS 34 Financial Reporting and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies applied in the preparation of the condensed consolidated financial statements are derived in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the annual financial statements for the year ended 30 September 2019, with the exception the adoption of new policies as required by new and/or revised International Financial Reporting standards issued and in effect for the current financial year. Specifically, the group has applied IFRS 15: Revenue from Contracts with Customers and IFRS 9: Financial Instruments for the first time, effective 1 October 2018.

In September 2019, management took a firm decision to dilute the group's interest in the Avis Fleet business to a 50% shareholding, with the ultimate aim to form a joint venture ownership structure. Significant progress has been made towards finalising the transaction structure such that management are confident in completing this dilution within the next 12 months. As such this business has been classified as assets and liabilities held for sale in the statement of financial position. Given its significance to the group, the Avis Fleet business has also been disclosed as a discontinued operation with the comparative income statement restated to reflect this classification.

In addition the group reduced its shareholding in NMI-DSM to 50% effective 1 September 2019 and as such, this entity has been deconsolidated from the group and earnings from this date have been equity accounted for.

The condensed consolidated financial statements are presented in South African rand, which is Barloworld Limited's functional and presentation currency. The condensed consolidated financial statements do not include all the disclosures required for complete annual financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board. The Board is satisfied that the company is sufficiently liquid and solvent to be able to support the current operations for the next 12 months. Accordingly, the condensed consolidated financial statements are prepared on a going concern basis.

Summarised notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

1. BASIS OF PREPARATION continued

The condensed consolidated financial statements appearing in this announcement are the responsibility of the directors. The directors take full responsibility for the preparation of the condensed consolidated financial statements.

This preliminary report and the complete set of the consolidated financial statements were prepared under the supervision of RL Pole CA(SA) (Group general manager: finance).

2. RECONCILIATION OF NET PROFIT TO HEADLINE EARNINGS

R million	AUDITED	
	2019	Restated 2018
Profit attributable to Barloworld shareholders	2 428	3 846
Adjusted for the following:		
Profit on disposal of subsidiaries and investments	(33)	(98)
Profit on disposal of property, plant, equipment, intangibles and other assets	(5)	(10)
Impairment of goodwill		70
Impairment of plant and equipment and intangibles and other assets	117	155
Fair value gain on deconsolidation of subsidiary	(212)	
Impairment of investments in subsidiaries, associates and joint ventures	25	24
Realisation of translation reserve on disposal of foreign subsidiaries		(1 502)
Taxation effects of remeasurements	2	(18)
Associate and non-controlling interest in remeasurements		47
Net remeasurements excluded from headline earnings	(106)	(1 332)
Headline earnings	2 322	2 514
Headline earnings from continuing operations	1 831	1 919
Headline earnings from discontinued operation	491	595
Weighted average number of ordinary shares in issue during the year (000)		
— basic	211 085	210 875
— diluted	211 698	212 147
Headline earnings per share (cents)		
— basic	1 100.0	1 192.1
— diluted	1 096.8	1 185.0
Headline earnings per share from continuing operations (cents)		
— basic	867.4	910.0
— diluted	864.9	904.5
Headline earnings per share from discontinued operation (cents)		
— basic	232.6	282.1
— diluted	231.9	280.5

Summarised notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

3. NON-OPERATING AND CAPITAL ITEMS

R million	AUDITED	
	2019	Restated 2018
Fair value gain on deconsolidation of subsidiary	212	
Impairment of investments	(25)	(24)
Impairment of goodwill		(70)
Profit on disposal of subsidiary	12	
Profit on disposal of property, plant, equipment, intangibles and other assets	3	1
Impairment of property, plant and equipment, intangibles and other assets	(115)	(155)
Gross non-operating and capital items from continuing operations	87	(248)
Taxation (charge)/benefit on non-operating and capital items	(3)	20
Net non-operating and capital items from continuing operations	84	(228)
Non-operating and capital items from discontinued operations	(12)	9
Taxation benefit/(charge) on non-operating and capital items from discontinued operations	1	(2)
Non-operating and capital items included in associate income from discontinued operations		(47)
Net non-operating and capital items profit/(loss)	73	(268)

4. ACQUISITION OF SUBSIDIARIES, INVESTMENTS AND INTANGIBLES

R million	AUDITED	
	2019	2018
Property, plant and equipment, non-current assets, goodwill and non-controlling interest	(3)	
Total net assets acquired	(3)	
Goodwill arising on acquisitions	(2)	
Net cash cost of subsidiaries acquired	(5)	
Investment and intangible assets acquired	(49)	(86)
Cash amounts paid to acquire subsidiaries, investments and intangibles	(54)	(86)

Summarised notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

5. PROCEEDS ON DISPOSAL OF SUBSIDIARIES

R million	AUDITED	
	2019	2018
Inventories disposed	879	969
Receivables disposed	341	1 196
Payables, taxation and deferred taxation balances disposed and settled	(1 253)	(785)
Borrowings net of cash	95	162
Property, plant and equipment, non-current assets, goodwill and intangibles	406	1 048
Net assets disposed	468	2 590
Minority interest	(457)	
Outstanding receivable from buyer		(170)
Less: Non-cash translation reserves realised on disposal of foreign subsidiaries		(1 502)
Profit on disposal	5	1 586
Net cash proceeds on disposal of subsidiaries	16	2 504
Bank balances and cash in subsidiaries disposed	(100)	(162)
Cash proceeds on disposal of subsidiaries	(84)	2 342

Effective 1 September 2019 Barloworld diluted it's interest in NMI Durban South Motors (Pty) Ltd to 50%, resulting in the sale of the group's 1.18% controlling interest for R16 million. Going forward NMI Durban South Motors (Pty) Ltd will be equity accounted as an associate. The net cash proceeds on disposal of subsidiaries arising in 2018 was from the sale of Equipment Iberia for R2.5 billion (€163 million) during June 2018.

6. DISCONTINUED OPERATION AND ASSETS CLASSIFIED AS HELD FOR SALE

As part of the strategy to unlock value in our underlying businesses and the focus on disciplined allocation of capital management has taken the firm decision to dilute their interest in the Avis Fleet business. Barloworld intends to form a joint venture with external shareholders and reduce it's shareholding to 50%. As at 30 September 2019 management are confident that, based on the progress of this transaction to date and the interest shown by potential equity investors, this transaction will be executed in the next 12 months. This business represents a significant line of business and has therefore been disclosed as a discontinued operation at 30 September 2019, with the comparative financial information re-stated accordingly.

Summarised notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

6. DISCONTINUED OPERATION AND ASSETS CLASSIFIED AS HELD FOR SALE continued

R million	AUDITED	
	2019	Restated 2018
Revenue	3 372	6 663
Operating profit before items listed below	1 500	1 657
Impairment losses on financial assets and contract assets	(49)	
Depreciation	(826)	(871)
Amortisation of intangible assets		(8)
Operating profit	625	778
Finance costs	(49)	(39)
Income from investments	11	7
Profit before non-operating and capital items	577	735
Non-operating and capital items	(12)	9
Profit before taxation	566	744
Taxation	(79)	(109)
Profit after taxation	487	635
Loss from associates		(67)
Profit from discontinued operations excluding finance charges on group debt (Note 2 below)	487	568
Current year adjustment to the profit on disposal of Equipment Iberia *	33	
Net profit on disposal of discontinued operations		1 600
Profit from discontinued operations per income statement	519	2 168
Profit on discontinued operations to the owners of Barloworld Limited after non-controlling interest	513	2 155
The cash flows from the discontinued operation are as follows:		
Cash flows from operating activities	404	396
Cash flows from investing activities	25	(8)
Cash flows from financing activities	(76)	135

* In the current year certain tax uncertainties related to our Iberian operations were resolved resulting in the reversal of previously held provisions totaling R33 million. This is a change in estimates in the year and as such has been accounted for prospectively through the profit on disposal of Equipment Iberia.

Summarised notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

6. DISCONTINUED OPERATION AND ASSETS CLASSIFIED AS HELD FOR SALE continued

R million	AUDITED	
	2019	2018
The major classes of assets and liabilities classified as held for sale are as follows:		
Property plant and equipment	4 358	253
Goodwill	292	
Intangible assets	33	2
Long-term finance lease receivables	155	
Deferred tax asset	21	18
Inventories	72	37
Trade and other receivables	772	168
Cash and cash equivalents	77	19
Assets classified as held for sale *	5 780	497
Deferred tax liability	(216)	
Total non-current payables	(341)	(125)
Short- and long-term contract liabilities	(26)	
Bank overdraft and short-term loans	(561)	(1)
Total current payables	(938)	
Short-term provisions	(133)	
Tax provision	(7)	
Total liabilities associated with assets classified as held for sale **	(2 222)	(126)
Net assets classified as held for sale	3 558	371
Per business segment:		
Equipment	70	
Automotive	3 309	
Logistics Middle East and SmartMatta	86	278
Corporate division	93	93
Total group	3 558	371

* Includes financial assets of R1 006 million.

** Includes financial liabilities measured at amortised cost of R1 847 million.

Summarised notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

6. DISCONTINUED OPERATION AND ASSETS CLASSIFIED AS HELD FOR SALE continued

1. This refers to properties within the Equipment division that are in the process of being sold.
2. This represents the assets and liabilities of the Avis Fleet business classified as held for sale and a discontinued operation.

The group operates a central treasury function which, as at 30 September 2019, had allocated debt of R2.8 billion (2018: R2.8 billion) to fund the Avis Fleet operations. This debt is recognised in continuing operations of the group together with the associated financed charges of R277 million. On disposal of the Avis Fleet business this group debt will either be repaid or the facilities will be re-allocated to other value adding opportunities. Refer to below for a reconciliation of the Avis Fleet results and the net assets to reflect this finance cost and debt allocation.

R million	2019	2018
Profit from discontinued operations of Avis Fleet as reported	487	521
Finance costs on group treasury funding of the Avis Fleet operations	(277)	(268)
Adjusted profit from Avis Fleet before non-controlling interest	210	253
Net assets of the discontinued operations of Avis Fleet as reported	3 558	
Group treasury allocation of debt funding to the Avis Fleet operations	(2 794)	
Adjusted net assets of Avis Fleet	764	

3. Assets held for sale in the Logistics business include Middle East and SmartMatta. Whilst there have been a number of unforeseen challenges to executing on these sale transactions in the year, management remain committed to exiting these businesses and are confident that these assets will be disposed of in the coming 12 months.
4. The assets held for sale within the Corporate division relate to the Barlow Park property owned by Barloworld Limited which is in the process of being sold into a consortium of investors with the aim of redeveloping the site into a multi-use precinct. There have been unexpected delays in the commencement of this project however there has been good progress in the latter part of the year and it is expected that the consortium will be in a position to commence operations in the coming three to six months.

Summarised notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

7. FINANCIAL INSTRUMENTS

R million	AUDITED	
	2019	2018
ASSETS		
Long-term finance lease receivables	2	211
Long-term financial assets	677	896
Trade and other receivables	5 740	8 240
Cash and cash equivalents	7 226	7 893
Total assets	13 645	17 240
LIABILITIES		
Interest-bearing non-current liabilities	4 621	5 995
Other non-current liabilities	146	490
Trade and other payables	7 892	9 328
Amounts due to bankers and short-term loans	3 187	5 174
Total liabilities	15 846	20 987

Level 1 measurements are derived from quoted prices in active markets. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable either directly or indirectly. Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data (unobservable inputs).

R million	Level 1	Level 2	Level 3	Total
2019				
Financial assets at fair value through profit or loss				
Long-term financial assets			64	64
Trade and other receivables		4		4
Financial assets at FVOCI				
Trade and other receivables		45		45
Total		49	64	113
Financial liabilities at fair value through profit or loss				
Trade and other payables		53		53
Total		53		53
2018				
Financial assets at fair value through profit or loss				
Long-term financial assets			55	55
Available-for-sale financial assets				
Shares		1	5	6
Total		1	60	61
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss		9		9
Derivatives		35		35
Total		44		44

Summarised notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

8. DIVIDENDS

R million	AUDITED	
	2019	2018
Ordinary shares		
Final dividend No 180 paid on 14 January 2019: 317 cents per share (2018: No 178 — 230 cents per share)	674	564
Interim dividend No 181 paid on 10 June 2019: 165 cents per share (2018: No 179 — 145 cents per share)	350	308
Paid to Barloworld Limited shareholders	1 024	872
Paid to non-controlling interest	33	81
	1 057	953
Dividends per share (cents)	462	462
— interim (declared May)	165	145
— final (declared November)	297	317
— special dividend per share	228	

A special dividend of 228 cents was declared by the board on 18 November 2019 (subject to Exchange Control approval).

9. CONTINGENT LIABILITIES

R million	AUDITED	
	2019	2018
Performance guarantees given to customers, other guarantees and claims	1 653	872
Buy-back and repurchase commitments not reflected on the statement of financial position	114	94

As at 30 September 2019 there were no contingent liabilities within Avis Fleet.

Certain risk share customers have pledged collateral of R350 million (2018: R232 million) as security against these contingent liabilities.

During 2018 the Barloworld Equipment division entered into a Risk Share Agreement with Caterpillar Financial Corporation Financeira, S.A. , E.F.C. — Sucursal em Portugal and Barloworld Equipment UK Limited. The Risk Share Agreement only relates to certain agreed upon customer risk profiles and relates to exposure at default less any recoveries. As at 30 September 2019 the maximum exposure of this guarantee was estimated to be R294 million (2018: R278 million) representing 25% of the capital balance outstanding.

Summarised notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

9. CONTINGENT LIABILITIES continued

During 2018 the Barloworld Equipment division entered into Risk Share Agreement with Caterpillar Financial Corporation. The Risk Share Agreement only relates to certain agreed upon customer risk profiles and relates to exposure at default less any recoveries. As at 30 September 2019 the gross maximum exposure of this guarantee was estimated to be R116 million representing 25% of the capital balance outstanding.

10. COMMITMENTS

R million	AUDITED	
	2019	2018
Capital expenditure commitments to be incurred:		
Contracted — Property, plant and equipment	197	340
Contracted — Vehicle rental fleet	865	1 131
Approved but not yet contracted	117	216
Total continuing operations	1 179	1 687
Discontinued operations	107	
Total group	1 286	1 687
Share of joint ventures' capital expenditure commitments to be incurred:		
Approved but not yet contracted		135
		135

Capital expenditure will be financed by funds generated by the business, existing cash resources and borrowing facilities available to the group.

11. RELATED PARTY TRANSACTIONS

There has been no significant change in related party relationships since the previous year.

Other than in the normal course of business, there have been no significant transactions during the year with associate companies, joint ventures and other related parties.

Summarised notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

12. AUDIT OPINION

Independent auditor's report on summarised financial statements

To the Shareholders of Barloworld Limited

OPINION

The summarised consolidated financial statements of Barloworld Limited, which comprise the summarised consolidated statement of financial position as at 30 September 2019, the summarised consolidated income statement, the summarised consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Barloworld Limited for the year ended 30 September 2019.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of Barloworld Limited, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in note 1 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of Barloworld Limited and the auditor's report thereon.

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 15 November 2019. That report also includes the communication of other key audit matters as reported in the auditor's report of the audited financial statements.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summarised notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

12. AUDIT OPINION continued

The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee [and Financial Pronouncements as issued by the Financial Reporting Standards Council], and to also, as a minimum, contain the information required by IAS 34, Interim Financial Reporting.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the consolidated audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summarised Financial Statements.

Deloitte & Touche

Registered Auditors

Per: Bongisipho Nyembe

Partner

15 November 2019

Building 1 and 2

Deloitte Place

The Woodlands

Woodlands Drive

Woodmead Sandton

National Executive: *LL Bam Chief Executive Officer; *TMM Jordan Deputy Chief Executive Officer; Clients & Industries; *MJ Jarvis Chief Operating Officer; *AF Mackie Audit & Assurance; *N Sing Risk Advisory DP Ndlovu Tax & Legal, TP Pillay Consulting *JK Mazzocco Talent & Transformation, MG Dicks Risk Independence & Legal; *KL Hodson Financial Advisory; *B Nyembe Responsible Business & Public Policy; *TJ Brown Chairman of the Board

A full list of partners and directors is available on request

*Partner and Registered Auditor

B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Summarised notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

13. EVENTS AFTER THE REPORTING PERIOD

To the knowledge of the directors no material events have occurred between the balance sheet and the date of approval of these financial statements that would affect the ability of the users of the financial statements to make proper evaluations and decisions.

14. OPERATING SEGMENTS (AUDITED)

R million	REVENUE		OPERATING PROFIT/(LOSS)		FAIR VALUE ADJUSTMENTS ON FINANCIAL INSTRUMENTS	
	2019	2018	2019	2018	2019	2018
Equipment and Handling	26 647	27 686	2 559	2 574	(107)	(84)
Automotive and Logistics	30 186	32 407	1 122	1 322	(2)	(8)
Corporate	1	1	(409)	(134)	140	(30)
Total group	56 834	60 094	3 272	3 762	31	(122)

R million	OPERATING PROFIT/(LOSS) INCLUDING FAIR VALUE ADJUSTMENTS		NET OPERATING ASSETS/(LIABILITIES)	
	2019	2018	2019	2018
Equipment and Handling	2 452	2 490	14 769	14 902
Automotive and Logistics	1 120	1 314	6 242	10 296
Corporate	(268)	(163)	1 663	(1 159)
Total group	3 304	3 640	22 674	24 039

Segmental review (audited)

FOR THE YEAR ENDED 30 SEPTEMBER

EQUIPMENT AND HANDLING

R million	REVENUE		OPERATING PROFIT/(LOSS)		NET OPERATING ASSETS	
	2019	2018	2019	2018	2019	2018
Equipment	26 619	27 572	2 555	2 594	14 506	14 596
— southern Africa	20 434	19 775	1 836	1 790	11 336	11 637
— Russia	6 185	7 797	719	804	3 170	2 959
Handling	28	114	4	(20)	264	306
	26 647	27 686	2 559	2 574	14 770	14 902
Share of associate income			227	241		

AUTOMOTIVE AND LOGISTICS

R million	REVENUE		OPERATING PROFIT		NET OPERATING ASSETS	
	2019	2018	2019	2018	2019	2018
Automotive	25 007	26 483	1 084	1 060	4 854	8 758
— Car Rental	6 271	6 528	523	536	2 436	2 854
— Avis fleet					555	3 778
— Motor trading	18 736	19 955	561	524	1 863	2 126
Logistics	5 179	5 924	38	262	1 388	1 538
— southern Africa	5 074	5 807	31	255	1 361	1 445
— Europe and Middle East	105	117	7	7	27	93
	30 186	32 407	1 122	1 322	6 242	10 296
Share of associate profit/(loss)			4	(6)		

CORPORATE

R million	REVENUE		OPERATING LOSS		NET OPERATING ASSETS/(LIABILITIES)	
	2019	2018	2019	2018	2019	2018
Southern Africa	1	1	(253)	(74)	3 752	580
Europe			(156)	(59)	(2 089)	(1 739)
	1	1	(409)	(133)	1 663	(1 159)

Salient features

FOR THE YEAR ENDED 30 SEPTEMBER

R million	AUDITED	
	2019	2018
Financial		
Group headline earnings per share (cents)	1 100	1 192
Continuing headline earnings per share (cents) *	867	910
Normalised headline earnings per share (cents) including Avis Fleet	1 167	1 151
Return on invested capital (ROIC) (%)	11.9	12.3
Free cash flow	3 064	3 591
Economic profit	(323)	(48)
Dividend per share (cents)	462	462
Continuing operating margin — including B-BBEE (%) *	5.8	6.3
Continuing net asset turn (times) *	1.7	2.0
Continuing EBITDA/interest paid (times) *	4.6	4.8
Group net debt/equity (%)	4.5	14.4
Continuing return on net operating assets (RONOA) (%) *	17.3	20.9
Group return on ordinary shareholders' funds (%)	10.1	11.8
Net asset value per share including investments at fair value (cents)	11 182	10 453
Number of ordinary shares in issue (000)	212 693	212 693
Non-financial **		
Non-renewable energy consumption (GJ)	2 829 289	2 922 370
Greenhouse gas emissions (tCO ₂ e) ^Δ	243 478	255 103
Water withdrawals (municipal sources) (ML)	656	580
Number of employees	14 892	15 814
Lost-time injury frequency rate (LTIFR) †	0.58	0.70
Number of work-related fatalities	1	2
Corporate social investment (R million)	19	16
dti ^ B-BBEE rating (level) *	3	3

* Continuing operations. 2018 restated.

Agreed upon procedures performed by Barloworld Group Internal Audit Services for FYE2019. Verification of the reported non-financial indicators against supporting documentation to determine that the numbers reported are accurate, valid and complete.

Δ Scope 1 and 2.

† Lost-time injuries multiplied by 200 000 divided by total hours worked.

^ Department of Trade and Industry (South Africa).

+ Audited and verified by Empowerdex.

Salient features continued

FOR THE YEAR ENDED 30 SEPTEMBER

Exchange rates (Rand)	CLOSING RATE		AVERAGE RATE	
	2019	2018	2019	2018
United States Dollar	15.16	14.15	14.31	13.01
British Sterling	18.68	18.45	18.27	17.53

Exchange rates used:

Balance sheet — closing rate (rand)

Income statement and cash flow statement — average rate (rand)



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