



Barloworld
Leading brands

One Barloworld delivering value while adapting and transforming

**SUMMARISED PRELIMINARY
AUDITED YEAR-END RESULTS
FOR THE 12 MONTHS ENDED
ON 30 SEPTEMBER 2020**



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)

(Bond issuer code: BIBAW)

(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

NP Dongwana (Chairman),

FNO Edozien ^, HH Hickey,

MD Lynch-Bell*, NP Mnxasana,

NV Mokhesi, H Molotsi, SS Ntsaluba,

P Schmid,

^Nigeria * UK

Executive

DM Sewela (*Group Chief Executive*

Officer), N Lila (*Group Finance Director*)

Group company secretary

Andiswa Ndoni

ENQUIRIES

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a division of Nedbank Limited

Barloworld is an industrial processing, distribution and service company which distributes leading international brands. In our OEM businesses we provide integrated rental, fleet management and product support through offering flexible, value adding, and 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, among others. The divisions of the Group comprise 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) and consumer industries (Ingrain — starch and glucose).

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.

The Group's core divisions comprise of:

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

CONSUMER INDUSTRIES

Starch and glucose

SALIENT FEATURES

Resilient group performance

UNDER AN UNPRECEDENTED TRADING ENVIRONMENT IMPACTED BY THE COVID-19 PANDEMIC

REVENUE

R49.7bn down 17%

OPERATING MARGIN*

4.1% down from 6.6%

AUSTERITY MEASURES IMPLEMENTED TO MANAGE COVID-19 IMPACT,
2020 OVERHEAD COST CONTAINMENT SAVINGS

R402m

STRONG BALANCE SHEET, COMMITTED FUNDING CAPACITY CLOSING AT

R15.6bn

GROUP NET DEBT-TO-EBITDA^{#^} RATIO

0.6 times

FY19: 0.2 times

GROUP EBITDA TO GROSS INTEREST^{#^} PAID

4.7 times

FY19: 5.7 times

GROUP RETURN ON INVESTED CAPITAL OF

1.0%

FY19: 11.9%

GROUP NORMALISED HEADLINE (LOSS)/EARNINGS PER SHARE^{#^} OF

(30) cents

FY19: 1 167** cents

Decisive measures

IN RESPONSE TO ENSURE THE LONG-TERM VALUE CREATION BY THE GROUP

Progress made

ON THE STRATEGY WITH THE ACQUISITION OF EQUIPMENT MONGOLIA AND
TONGAAT HULETT STARCH (NOW INGRAIN)

* Excluding IFRS 16 impact. # Excluding B-BBEE charges.

** amount reported in 2019 includes the fair value adjustment on the USD deposits in the UK. The adjusted normalised HEPS 2019 number which excludes the USD deposits in the UK is 1 098 cents.

Chief Executive's report



A stylized, handwritten signature in black ink, appearing to read 'D. Sewela'.

DOMINIC SEWELA

Group Chief Executive Officer

Going into 2020, our focus was on the delivery of our strategy and the achievements of the ambitious targets we set for ourselves, as well as ensuring the complete adoption of the Active Shareholder Model. Though we anticipated that we were going into a year with continued macroeconomic challenges, the onset of the novel coronavirus pandemic (COVID-19) and the ensuing economic impact, was something no one could have predicted. Barloworld, like many other corporations in South Africa and globally, had to navigate this challenging and uncertain reality.

GROUP REVIEW

The constrained consumer demand that was experienced in 2019 continued during the year. The onset of the global COVID-19 pandemic in our geographies started impacting trading in March 2020 triggered by trade restrictions, lockdowns and travel restrictions that resulted in negative knock-on effects in the trading environment. The Group's performance during the year was resilient, reflecting the difficult trading environment and the challenges faced by our businesses with the Equipment divisions performing much better than anticipated.

The Group revenue decreased by 17% to R49.7 billion (2019: R60.2 billion) with the operating margin declining from 6.6% to 4.1%. The operating profit for the Group of R1.8 billion was 54% down on prior year (2019: R3.9 billion), negatively impacted by lower revenues and higher costs.

Group normalised headline earnings per share (HEPS[^]), excluding the impact of IFRS 16, B-BBEE charges and the fair value on the USD deposits in the UK was a (30) cent loss down on prior year of 1 167 cents. Including these charges, the reported HEPS loss was (268) cents. Normalised HEPS[^] was impacted by all operations performing at levels well below the prior year due to the COVID-19.

A return on invested capital (ROIC[^]) of 1.0% was generated compared to 11.9% achieved in 2019 due to a reduction in operating profit.

DIVIDEND

Barloworld has met its solvency and liquidity obligations and given the current market conditions, the board took the important precautionary measure not to declare a final dividend payment for the year ended 30 September 2020. This position will be reviewed again at the interim period in 2021.

PROGRESS ON OUR STRATEGY

The Group aims to sustainably double its intrinsic value every four years, enabled by the managing-for-value operating model. Post the recent strategic review, the Group has positioned itself as an industrial processing, distribution and services company. In light of this the Group has set its vision to create enduring economic and social value for stakeholders by building businesses that serve industrial customers.

Our fundamental strategic levers — 'fix, optimise and grow' remain unchanged, though in response to the immediate challenges Barloworld faces, and to ensure the Group's legacy in the long term, we have honed our strategic focus, balancing short-term decisions with long-term thinking. While our goal remains the achievement of above-market growth and ROIC[^] >13% with positive economic profits. We seek to create value by balancing our long-term growth ambitions with focusing on achieving acceptable returns for our shareholders in the medium term. This will continue to be underpinned by our sustainable development framework and informed by the macro-environment, including the immediate to longer term impacts of the COVID-19 pandemic on societies and economies, and our strategic outlook.

CHIEF EXECUTIVE'S REPORT CONTINUED

Our strategy, already in implementation, remains ambitious. It is achievable with an organisation-wide focus aligned with our longer-term vision, fine-tuned objectives, and certain execution elements being accelerated.

The board and management remain committed to the prudent implementation of the Group strategy and resource allocation through the set strategic levers:

1. Fix, restructure or exit businesses that do not meet the Group's portfolio criteria;
2. Optimise existing businesses that meet the Group's portfolio guardrails to achieve full potential;
3. Implement an active shareholder operating model; and
4. Pursue programmatic acquisitive growth in line with the revised strategy, focused on adding high growth, cash generative businesses to the portfolio.

During the period, good progress was made in all areas of the strategy. The Group's strategy and clear set of guardrails (capital light, high growth, cash generative) remain relevant despite the ever-changing market conditions.

In terms of **fix and optimise**, we continued to re-assess the performance of the businesses and identified opportunities to unlock value in the current environment. The quick implementation of austerity measures by management is expected to bolster performance in the short term and support results in the medium to long term. The review of the Automotive portfolio is ongoing amid the changing environment. The review has resulted in Car Rental and Avis Fleet being integrated into a single unit to ensure the realisation of benefits of scale between these two businesses and also address gaps in product portfolio driven through a single focussed management team. Options around the optimal deployment of capital in Motor

Retail remain under due consideration. The Group is also considering market conditions in the Logistics business and evaluating its future options around this business.

The **active shareholder model**, a key strategic lever to changing the nature of the Group's operating model is in place. With the reviewed head office costs the Group continues to drive certain elements centrally while employing a more flexible resource model and driven execution through utilising divisional resources more effectively. The redevelopment of Barlow Park at 180 Katherine Street precinct in Sandton is being reassessed in line with current market conditions.

In terms of **growth**, two acquisitions that are in line with the Group's strategy were closed on 1 September 2020 and 31 October 2020, respectively and are being integrated into the Group. The Mongolian Caterpillar dealership acquisition was concluded, and the transaction closed on 1 September 2020. The transaction was de-risked through a deferral of a large part of the premium being made contingent on certain future targets. The business will be integrated with the Russian business to form Barloworld Eurasia and managed under a single leadership team. The acquisition of the Tongaat Hulett Starch and subsequent rebranding of the business to Ingrain positions Barloworld for growth in a consumer driven demand market whilst remaining focussed on business-to-business customers. The business will form a strong pillar in Consumer Industries. The transaction closed on 31 October 2020, just after the Group's year end. Taking into consideration the current fluid macroeconomic environment, we will continue to be disciplined and cautious in our approach to growth, while giving due consideration to the changed macroeconomic environment.

CARING FOR OUR EMPLOYEES

The health and safety of our employees, customers and communities remains of paramount importance to management and the board. The One Barloworld COVID-19 policy that is in place outlines various health and safety measures taken to mitigate the spread of COVID-19 in our operations across various geographies. Over and above ensuring that we adhere to all workplace regulations announced by the Governments of the countries we operate in, we implemented additional measures to assist employees navigate this uncertain, changing and stressful period. In addition, we ensured that there are adequate risk management processes and safety COVID-19 protocols at every division and business unit for dealing with employees that have now returned to work. As at 30 September 2020, 70 employees have tested positive for the virus, 536 have recovered while 70 are in the process of recovering. Regrettably, there have been six deaths and the Company has provided support to the bereaved families and our people during this difficult time.

The relief through the Temporary Employer-Employee Relief Scheme/Unemployment Insurance Fund in South Africa was utilised to alleviate the financial impact of the COVID-19 on employees due to reduced salaries and/or where employees were required to take annual and unpaid leave during the extended lockdown period. A number of employee wellness focused initiatives were also undertaken to assist employees deal with the emotional and psychological impact of the various lockdowns and cost containment initiatives.

The Company's commitment to diversity and inclusion was acknowledged with three awards at the Gender Mainstreaming Awards 2020, namely, the overall Gender Mainstreaming Champions for 2020 for JSE listed companies, Investing in Young Women as well as Women Empowerment in the Workplace (JSE-listed companies as well as OVERALL winner in this category).

UPDATE ON COST-SAVING MEASURES

Tough decisions were made during the year, the most significant of which was the retrenchment process that, whilst necessary to safeguard the long-term sustainability of the business, impacted our people, who are critical to our success. Given the harsh economic realities before the onset of COVID-19, we were already contemplating a retrenchment process as part of a range of austerity measures. The scale and timelines for its implementation were accelerated, however, due to the impact of COVID-19. Letting go of hard-working and dedicated employees was incredibly difficult. The retrenchment process, which included early retirement, cost the Group R289 million and resulted in approximately 2 644 headcount reduction.

The austerity measures and cost saving initiatives aimed at reducing and containing costs to preserve cash in the immediate year were implemented by the Group and resulted in a reduction in overhead costs of R691 million. These measures included a Group-wide remuneration sacrifice plan and retirement fund payment holiday, implemented on 1 May 2020, retrenchments, the deferment of non-essential capex, a moratorium on external appointments, a reduction in operating costs, additional counter-measures to contain invested capital and other measures.

The board and management remain committed to the implementation of prudent measures aimed at reducing and containing costs to preserve cash while ensuring the medium- to long-term strength of the organisation.

COVID-19 SOCIAL RESPONSES

The board and management is committed to implementing meaningful interventions that transform our society by investing in initiatives that drive economic inclusion, social cohesion and build resilient communities. About 50% of the global socio-economic spend of R16 million was dedicated to the health and welfare responses resulting from our global COVID-19 pandemic. Furthermore, the Group provided relief funding support totalling R22 million to Supplier and Enterprise Development beneficiaries to sustain their businesses during the hard lockdown period of the pandemic which included a loan repayment holiday at 0% interest rate for the period of 6 months ending in September 2020.

FOCUSING ON SAFETY

At Barloworld we actively promote health and safety with policies and practical programs that help our people, suppliers and contractors safeguard themselves and their colleagues at all times. Tragically, there were two work-related fatalities within the Group's Logistics operation, both of which were motor vehicle accident related. Barloworld, extends its sincere condolences to the family, friends and colleagues of the deceased to whom we have offered support.

Our Group Lost-Time Injury Frequency Rate (LTIFR) for the period was 0.53. Our ongoing focus on safety across the Group is unrelenting and we continue to target zero harm. In all our territories we monitor the work environments in light of COVID-19 and endeavour to comply with regulations and guidelines in terms of return to work requirements, including screening, protective personal equipment and contact tracing. Health and safety incidents follow in-depth root cause analysis that inform preventative measures.

Group financial review

CONTINUING OPERATIONS

Group revenue for the period decreased by 17% to R49.7 billion (2019: R60.2 billion). Equipment southern Africa's (snA) revenue declined by 14% against the prior year but strong against our initial re-forecast resulting largely from comparatively good mining machine sales and resilient aftermarket activity levels. Despite the COVID-19 pandemic and geopolitical challenges Equipment Eurasia's revenue increased by 22% benefiting from strong levels of mining activity, particularly in the gold sector. The Automotive division's revenue, excluding NMI-DSM now equity accounted, was down 15% with declines across all business units as COVID-19 and economic pressures impacted discretionary spending coupled with lower fleet utilisation in the Car Rental business. Strong used vehicle sales volumes post lockdown trade restrictions was achieved and margins in this segment are being maintained. Cash generation was supported by the disposal of properties to Khula Sizwe as well as fleet disposals in the Rental and Fleet businesses. In Logistics, revenue declined by 25% against the prior year on the back of the non-renewal of contracts and the contraction of the Transport and Supply Chain markets resulting from weaker demand for goods and services. The weakening South African Rand (ZAR) resulted in an increase in revenue of R1.3 billion (2.8%) with the bulk of the increase in the Equipment businesses.

IFRS 16: Leases was adopted for the first time this current financial year and the modified retrospective approach was applied. The comparatives were therefore not restated. The impact of IFRS 16 on the Group's operating profit was an uplift of R147 million because we no longer record operating lease charges, but recognise interest charged and amortisation.

The operating profit for the Group of R1.8 billion was 54% down (2019: R3.9 billion), negatively impacted by lower revenues and higher operating costs. The Equipment snA operating profit was down 35% impacted by lower service labour recoveries, Khula Sizwe charges and once off retrenchment costs while gross margin remained in line with the prior year boosted by a stronger aftersales contribution. In USD terms Equipment Eurasia's operating profit improved by 1.8% with continued cost containment and mix driving the sustained margin, showing resilience. Automotive's operating profit was down by 83%, impacted by losses suffered as a result of trading and travel restrictions as well as once off operating costs. Logistics operating profit reduced to a loss of R153 million against a R38 million profit in the prior year. Cost containment through staff reductions, footprint rationalisation and fit for purpose operating models were key focus areas during the year with benefits expected to be realised in 2021. Corporate cost containment measures, driven largely by a headcount reduction and the reduction of consulting costs to key projects, were implemented to further curb costs. The Khula Sizwe operating profit excluding an R82 million B-BBEE charge was R168 million earned from the 57 properties purchased to date as part of the B-BBEE deal and rentals earned from divisions.

The South African Rand (ZAR) exchange movements have increased operating profit by 5.4% equalling R98 million from Equipment Eurasia. The Group operating margin of 4.1% is down on the prior year (2019: 6.6%) and net profit after tax has decreased by 211% to a R2.5 billion loss against the prior year R2.2 billion.

GROUP FINANCIAL REVIEW CONTINUED

Losses from fair value adjustments on financial instruments totalled R340 million driven by negative currency movements and forward exchange contract cost impacting Equipment snA, of which R96 million related to RSA and R114 million related to the rest of Africa, which were further impacted by R187 million loss in the UK from the derecognition of the USD denominated cash deposits, realised in the income statement in September.

Losses from non-operating and capital items of R1.9 billion largely relate to the impairments taken in March against BZAMM, Car Rental and our investment in BHBW. To note the NMI-DSM investment impairment at March of R124 million was reversed in full however further impairments were taken in September relating to properties of R167 million and right of use assets of R40 million.

With the exclusion of IFRS16 we saw a reduction in the net finance costs in 2020 on the back of reduced interest rates in South Africa. Net finance costs of R1.1 billion (R0.9 billion) include IFRS 16 charges of R285 million together with Khula Sizwe external net finance charges of R82 million. Lower marginal rates in South Africa have provided some relief despite higher borrowings.

The effective tax rate before exceptional items and prior period adjustments was 251% (2019: 28%). The increase in the current year's tax rate is largely due to local currency profits in the offshore entities, Khula Sizwe capital gains taxes and IAS12.41 adjustments arising from the negative in country currency movements against the USD.

Joint ventures and associates generated losses of R48 million compared to the prior year's profits of R231 million. The BHBW joint venture contributed a loss of R58 million (September 2019: R24 million loss) and remains under pressure. Bartrac, our joint venture in the Katanga province of the DRC generated losses of R41 million (2019: R268 million profit). The DRC has seen some green shoots in activity levels over the last two months of the financial year against the losses of the first three quarters of the year. NMI-DSM contributed an impressive result of R52 million (noting that in 2019 NMI was a subsidiary for 11 months and generated profit after tax and 1 month associate income at September 2019 of R40 million).

RATIOS AND ROIC ^

Performance against metrics has generally been below prior year on the back of depressed trading results. Most of our businesses generated ROIC below the hurdle rates (and consequently generating negative economic profit) with the exception of the Eurasia division that has performed particularly well under the circumstances achieving a ROIC of 14.2% (Sept 2019: 17.3%).

CASH FLOWS

Net Cash retained from operating activities to September 2020 of R2.4 billion was marginally down on prior year (September 2019: R2.6 billion). Despite the decreased activity levels across the Group the working capital levels were well maintained largely due to a decrease in receivables as a result of accelerated collection and a decrease in business activity. Investments in leasing and the rental fleet have been well contained in the year resulting from lower demand in these businesses and the sale of excess vehicle capacity within the Car Rental business.

GROUP FINANCIAL REVIEW CONTINUED

Net cash used in investment activities of R3.0 billion includes the Mongolia acquisition of R2.6 billion which when excluded was favourable compared to the prior period on the back of reduced capex investments as the Group focuses on cash containment and inflows from disposals in the year.

The free cash flow for the period was positive at R575 million, however, excluding the Equipment Mongolia acquisition R2.6 billion, this is comparable to 2019's R3.1 billion.

FINANCIAL POSITION, GEARING AND LIQUIDITY

The Group's balance sheet as at 30 September 2020 remained strong considering the challenging environment. A robust and solid liquidity position with cash balance of R6.7 billion was maintained with the net debt position including the Equipment Mongolia acquisition, increasing marginally to R2.6 billion from R1.1 billion in 2019, due to an acquisition was made in 2020. The headroom on committed facilities remained substantial at R10.1 billion.

These facilities exclude the ring fenced R5.4 billion of committed funding for the Tongaat Hulett Starch (now Ingrain SA) acquisition and therefore the total headroom as at 30 September 2020 amounted to R15.6 billion. The funding capacity of the Group remains healthy as management continues to focus on actively reviewing and monitoring all facilities on an ongoing basis and remain confident of the good liquidity position.

At the end of 30 September 2020, the Group's gearing levels increased and our financial position was well within our covenants. It is important to note that, in April 2020, the EBITDA to interest covenant was renegotiated from 3.5 times to 2.5 times based on an unpredictable future that was forecasted at the time. The Group not only met the renegotiated covenant but also remaining well within our old covenant targets even post acquisition of Equipment Mongolia. Management interventions during the lockdown period have sown positive results in managing our assets and liabilities.

	Sep 2020	Sep 2019
Debt covenants		
EBITDA: Interest cover >2.5 times	4.7 times	5.7 times
Net Debt: EBITDA <3.0 times	0.6 times	0.2 times

Even after taking into account the acquisitions being progressed, we retain significant headroom within our covenants, with Net Debt to EBITDA remaining below 1.0 times, the target being below 3.0 times.

NORMALISED RETURNS

ROIC, EP and FCF are key performance measures for the Group. Performance during the period was significantly impacted by tough trading conditions.

	Sep 2020	Sep 2019
ROIC ^ (%)	1.0	11.9
EP (R million)	(3 037)	(323)
Free cash flows (R million)	575	3 064
Return on ordinary shareholders' funds (%)	(1.5)	10.6

Operational reviews

AUTOMOTIVE AND LOGISTICS

R million	Revenue		Operating profit/(loss)		Invested capital	
	12 months ended		12 months ended		12 months ended	
	30 Sep 2020 Audited	30 Sep 2019 Audited	30 Sep 2020 Audited	30 Sep 2019 Audited	30 Sep 2020 Audited	30 Sep 2019 Audited
Car Rental	5 123	6 271	(143)	523	2 803	3 259
Motor Trading	12 595	18 736	(12)	561	3 604	2 091
Avis Fleet	3 046	3 372	444	625	3 191	3 862
Automotive	20 764	28 379	289	1 709	9 598	9 212
Southern Africa	3 785	5 074	(153)	31	1 916	1 446
Europe and Middle East		105		7		7
Logistics	3 785	5 179	(153)	38	1 916	1 453
Automotive and Logistics	24 549	33 558	136	1 747	11 514	10 665
Share of associate profit			49	4		

The performance of the Automotive division is down on the prior year on a comparable basis. Revenue for the division, excluding NMI-DSM in the prior year, was down by 15% with declines across all business units as a result of economic pressures, further impacted by COVID-19. The ROIC ^ for the division was lower at 2.9% (2019: 13.2%) mainly due to operating losses suffered during the year. Cost containment through staff reductions and lease rationalisation were key focus areas in this challenging trading environment.

The successful integration of Automotive and Logistics with centralised shared services functions achieved savings of R79 million. Centralised Strategic Sourcing, now also a Centre of Excellence for the Group, realised savings of R88 million for the division. The Division's commitment to the implementation of BBS yielded fruit with value uplift in various value stream improvements and assisted in securing a contract renewal.

Tough decisions were made during the year to safeguard the sustainability of the Automotive and Logistics division, impacting estimated 22% of staff at a retrenchment costs of R89 million. Further cost containment measures included lease rationalisation, review of the network, leaner and fit for purpose head office structures and operating models.

MOTOR TRADING

Motor Trading's (excluding NMI-DSM, now an associate) revenue is down 15% due to the decline in the vehicle market, the impact of COVID-19 stages transitioning out of lockdown trade restrictions, consumer affordability and overall vehicle price increases. New vehicle sales performed in line with the represented overall market with the dealer market down 25%. From the month of June, activity levels bounced back, with strong used car sales and better than anticipated new car sales as demand improved due to relaxations in lockdown restrictions. The business recorded an operating loss of R12 million (2019: R561 million profit which included R125 million of NMI-DSM for 11 months).

OPERATIONAL REVIEWS CONTINUED

CAR RENTAL

During the period, Car Rental activity was significantly impacted by the COVID-19 related trade restrictions and market consequences. Revenue was 18% down compared with the prior period due to the decline in rental bill days, whilst used car sales were very strong. Despite a slow increase in billed days in all segments, with exceptions of inbound, the car rental industry remains under significant pressure. The used vehicle market remained resilient, with margins holding up and one year old vehicles continuing to yield good returns. Operating profit was impacted by significant rental losses suffered since April on the back of limited local and international travel, costs incurred to re-align the cost structure and footprint as well as provision for expected credit losses. During the second half of 2020 the business realigned the cost structure and reviewed the footprint, closing down 28% of the branches, impacting more than 40% of the staff.

AVIS FLEET

The Avis Fleet revenue declined by 10% to R3.0 billion mainly due to lower leasing revenue as a result of large contracts lead out. Operating profit was down due to a reduction in used vehicle margin impacted by vehicle make and model, a material increase in provision for expected credit losses as well as once-off operating costs.

LOGISTICS

Logistics revenue declined by 25% against the prior period on the back of the non-renewal of contracts and the contraction of the Transport and Supply Chain volumes resulting from weaker demand for goods and services under the current COVID-19 environment. In all business units, the inconsistency of volumes remained a challenge and pressure to reduce the cost to serve intensified. Logistics recorded an operating loss of R153 million against a R38 million operating profit in 2019 as a result of reduced revenue, once-off operating costs including retrenchment costs and repairs and maintenance costs stemming from an ageing fleet due to delayed decision of contract renewals.

Contract and customer retention was positive during the period with high retention and re-award rate in both Transport and Supply Chain. New awards in our Energy, Timber 24 and Freight Forward business units were secured during the second half of 2020. The sale of the Middle East and SmartMatta was successfully concluded during the period.

OPERATIONAL REVIEWS CONTINUED

EQUIPMENT

R million	Revenue		Operating profit/(loss)		Invested capital (incl. IFRS 16)	
	12 months ended		12 months ended		12 months ended	
	30 Sep 2020 Audited	30 Sep 2019 Audited	30 Sep 2020 Audited	30 Sep 2019 Audited	30 Sep 2020 Audited	30 Sep 2019 Audited
Equipment	25 132	26 619	2 025	2 555	14 761	14 711
Southern Africa	17 592	20 434	1 191	1 836	9 167	11 313
Eurasia	7 540	6 185	834	719	5 594	3 398
Handling		28	(5)	4	25	255
Equipment and Handling	25 132	26 647	2 020	2 559	14 786	14 966
Share of associate (loss)/profit			(97)	227		

Equipment southern Africa's performance was resilient in spite of the slowdown in trading activity. Revenue was 13.9% lower than 2019 at R17.6 billion. The reduction in revenue was also driven by low sales activity in Zambia due to curtailment of activity at a key customer site and the shortage of hard currency and/or letters of credit in Angola. The weaker ZAR to USD exchange rate contributed 2.7% improvement to the overall revenue because of the translation of the financial results for Rest of Africa operations reporting in Dollar functional currency. Total machine sales were 15.8% down compared to the prior period, while aftermarket sales contracted by 11.5% year on year. While the earthmoving machine sales market in the region was down, a strong focus on increasing machine population saw our retail market share increase by 0.4 percentage points. Gross margin remained in line with the prior year boosted by a stronger aftersales contribution.

The operating profit at R1.2 billion (2019: R1.8 billion) was down on the prior period, resulting in an operating margin of 6.8% (2019: 9.0%). The reduction in operating profit was mainly driven by low sales activity, once off separation cost and Khula Sizwe charges. The negative impact on operating margin was partially offset by previously announced cost containment measures which saw our gross expenses reduce by 8.5% excluding once off separation cost and Khula Sizwe charges. EBITDA at R1.8 billion (2019: R2.4 billion) was 24% lower than the prior year while EBITDA margin at 10.3% (2019: 11.7%) was boosted by the impact of IFRS 16.

The steep currency devaluations mainly in Angola and Zambia resulted in an increase in the financial instrument charge amounting to R210 million (2019: R100 million) and had a negative impact on the effective tax rate due to IAS 12.41. Furthermore, the effective tax rate of 208% on a loss before profit was influenced by the withholding of tax on special dividends of USD 41.2 million declared out of retained earnings in Angola. The tax impact was partially offset by the decrease in deferred tax liability in Angola resulting from the change in the corporate tax rate from 30% to 25% during the reporting period. A loss on exceptional items of R898 million was realised mainly due to COVID-19 related impairment of goodwill and intangibles in Rest of Africa.

OPERATIONAL REVIEWS CONTINUED

Bartrac, our Joint Venture in the Katanga province of the DRC, remained under pressure. The subdued performance was mainly influenced by operations at a key customer site being placed under care and maintenance and a slowdown in the customer market exposure diversification strategy due to COVID-19 disruptions. This resulted in a total share of associate loss of R41 million (2019: R268 million profit).

The focus on optimising working capital led to a reduction in invested capital at R9.2 billion (2019: R11.3 billion) and a very strong free cash generation of R3.4 billion (2019: R2.0 billion). The overall return on invested capital was lower at 3.8% (2019: 12.5%) due to lower net operating profit after tax.

The firm order book at the end of September 2020 remains strong at R2.3 billion (2019: 2.1 billion).

Equipment Eurasia represents our combined Russian and Mongolian Caterpillar operations. The Mongolia transaction closed on 1 September 2020, and the Eurasia numbers include one month of the Mongolian trading. The first month of trading produced a pleasing result and pending how the COVID-19 pandemic will evolve, we remain optimistic that this new acquisition will contribute positively to the overall Barloworld result. Russia produced good results for the period to September 2020 driven by an active mining industry, in particular, the gold sector. The impact of COVID-19, the slowdown in the coal segment as well as the overall economic impact due to the downturn in the oil price, stifled topline growth. The Rouble devaluation further impacted returns negatively. At a Eurasia level, revenue at USD467.0 million was up 8.0% on the prior period and operating profit at USD51.0 million was also up 1.8% however the operating margin dropped from 11.6% to 10.9% due to the change in the sales mix. Despite the drop in operating margin, the result is still industry leading due to continued cost containment and good margin realisation in both prime product and aftermarket. Aftermarket contribution remains healthy but was negatively impacted by the slowdown in the coal sector due to reduced thermal and coking coal prices. Operations generated positive cash flow driven by profitable results and working capital management. The Russian ROIC ^ of 14.0% was retained above the Group threshold of 13%, despite the negative impact of a deferred tax charge driven by the weakening of the Rouble. With respect to the COVID-19 pandemic, the division continues to implement the required safety measures and best practice as well as following the guidance issued by the respective country and regional authorities to protect the health and safety of employees. The total firm order book as at the end of September was USD105 million with further firm orders to the value of USD37 million secured after 30 September 2020.

OPERATIONAL REVIEWS CONTINUED

CORPORATE

R million	Revenue		Operating profit/(loss)		Invested capital ^ (excl. IFRS 16)	
	12 months ended		12 months ended		12 months ended	
	30 Sep 2020 Audited	30 Sep 2019 Audited	30 Sep 2020 Audited	30 Sep 2019 Audited	30 Sep 2020 Audited	30 Sep 2019 Audited
Southern Africa	2	1	(327)	(253)	394	1 033
Europe			(115)	(156)	(1 578)	(1 707)
	2	1	(442)	(409)	(1 184)	(674)
Share of associate loss			(1)			

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. Southern Africa's higher operating loss of R327 million (2019: R253 million) largely driven by lower rental income in Barloworld and investments in corporate affairs activities and other strategic projects. Strategic projects included the implementation of the Barloworld Business System across the Group and due diligence for the acquisition of the Ingrain SA. The UK operating loss of R115 million (2019: R156 million) was down on 2019 with the prior period including the once-off pre-tax R88 million (GBP4.7 million) charge to equalise guaranteed minimum pensions (GMP) within our historic UK defined benefit pension fund. This business also incurred due diligence costs for the acquisition of the Equipment Mongolia.

Similar to the operating divisions, various austerity measures were implemented to ensure fitness to support the Group while transitioning and ensuring long term sustainable value creation. The measures included a headcount reduction and containing consulting costs to key projects. Notably, the central treasury in South Africa maintained efficient funding rates for the Group.

KHULA SIZWE

R million	Revenue		Operating profit/(loss)		Invested capital (excl. IFRS 16)	
	12 months ended		12 months ended		12 months ended	
	30 Sep 2020 Audited	30 Sep 2019 Audited	30 Sep 2020 Audited	30 Sep 2019 Audited	30 Sep 2020 Audited	30 Sep 2019 Audited
Southern Africa			83		(386)	

Khula Sizwe operating profit was R83 million earned from the 57 properties purchased to date as part of the B-BBEE deal and rentals earned from divisions. The operating profit represents the net impact of the transaction on the Group (rental income earned from Barloworld companies) which was offset by an IFRS 2 charge of R85 million relating to the discounted share price offered to the Khula Sizwe shareholders.

OPERATIONAL REVIEWS CONTINUED

BOARD CHANGES AND SUCCESSION PLANNING

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.

Mr Don Wilson retiring as the Acting Chief Financial Officer in February 2020.

The board congratulates Mrs Dongwana on her new appointment and thanks Adv. Ntsebeza and Mr Don Wilson for their valuable service and contribution to the board and Barloworld.

LOOKING AHEAD

The spread of the COVID-19 pandemic has had a crippling impact on economies and industries critical to our business performance. From the airline industry, to tourism, mining and supply chain sectors, the virus has caused ripple effects that we need to be fully prepared for and mitigate in the short, medium, and long term.

Notwithstanding the Group results achieved in the midst of unprecedented challenges, we expect to begin benefiting from the significant cost efficiencies and operational synergies in the short term from the Group-wide implemented austerity measures. In addition, the implementation of the Barloworld Business System across the Group, new ways of working, founded on lean principles and continuous improvement, position us well to continue to show resilience in the midst of volatile macroeconomic dynamics in the local and global economies.

Going forward, a strong balance sheet and a stable business platform are key strengths that will help the Group navigate the challenges. Business confidence in the regions where we operate has dropped and the Group expects the average consumer to remain under pressure, while the trading environment will be impacted by the lower outlook for recovery and growth. The board and management are focused on cash preservation, lowering operating costs in line with reduced activity levels and ensuring the business is well positioned for the recovery.

The current activity levels in our key markets are higher than initially anticipated as the short-term recovery has been better than expected. This could change at short notice given the volatile environment and the Group remains alive to changes in the external environment. The acquisition of Ingrain (THS) is expected to provide a stable growing contribution to the Group's performance over the next 12 months and Mongolia will add additional revenues and further growth opportunities.

The Group will also continue on its strategic path to improve efficiencies and performance by adapting and transforming to align with the changing trading environment in line with our stated goals. The assessment of the long-term fundamentals of our businesses is a focus area in our ongoing portfolio review. The divisions will continue to focus on managing levers under their control, this includes prudent cost containment and preservation as well as the invested capital reduction in the short to medium term and until the operating environment improves. Ensuring that the Group's assets generate a return on invested capital above our stated target weighted average cost of a capital target of 13% remains imperative.

OPERATIONAL REVIEWS CONTINUED

The board and management are committed to ensuring that all of the Group's re-opened operations are managed responsibly and in compliance with risk mitigating regulations.

Sandton

30 November 2020

[^] Certain information presented in this announcement is regarded as additional performance measures. These measures are not defined by IFRS, not uniformly defined or used by all entities and may not be comparable with similar labelled measures and disclosures provided by other entities. This information has been included to further illustrate the performance of the business and align with measures the board and management have selected to monitor performance against set targets. A disclosure document is included in the 2020 Annual Financial Statements and on the Company's website.

Independent Auditor's Report

To the Shareholders of Barloworld Limited

Report on the Audit of the Consolidated Annual Financial Statements

OPINION

The summarised preliminary consolidated financial statements of Barloworld Limited, contained in the accompanying summarised preliminary report, which comprise the summarised preliminary consolidated statement of financial position as at 30 September 2020, the summarised preliminary consolidated statements of comprehensive income, summarised preliminary changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated and separate financial statements of Barloworld Limited for the year ended 30 September 2020.

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

SUMMARY FINANCIAL STATEMENTS

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards ("IFRS"). Reading the summarised preliminary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

THE AUDITED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 30 November 2020. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period

DIRECTOR'S RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summarised preliminary 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 financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised preliminary financial statements.

AUDITOR'S RESPONSIBILITY

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

Ernst & Young Inc.

Ernst & Young Inc.

Director: Sifiso Sithabe

Registered Auditor

Chartered Accountants (SA)

30 November 2020

Summarised preliminary consolidated income statement

FOR THE YEAR ENDED 30 SEPTEMBER

		Audited	
R million	Notes	2020	Restated * 2019
CONTINUING OPERATIONS			
Revenue	3	49 683	60 206
Operating profit before items listed below		5 122	6 547
Impairment losses on financial assets and contract assets		(292)	(75)
Depreciation		(2 661)	(2 387)
Amortisation of intangible assets		(136)	(115)
Operating profit before B-BBEE transaction charge	4	2 033	3 970
B-BBEE transaction charge	4	(236)	(73)
Operating profit	4	1 797	3 897
Fair value adjustments on financial instruments		(340)	22
Finance costs		(1 274)	(1 134)
Income from investments		155	203
Profit before non-operating and capital items		338	2 988
Non-operating and capital items comprising of:			
Impairment of investments		(194)	(25)
Impairment of goodwill		(702)	
Impairment of indefinite life intangible assets		(708)	
Impairment of property, plant and equipment, intangibles and other assets		(303)	(127)
Fair value gain on deconsolidation of subsidiary			212
Other non-operating and capital items		7	15
(Loss)/profit before taxation		(1 562)	3 063
Taxation	5	(889)	(850)
(Loss)/profit after taxation		(2 451)	2 213
(Loss)/income from associates and joint ventures		(48)	231
(Loss)/profit for the year from continuing operations		(2 499)	2 444
DISCONTINUED OPERATIONS			
Profit from discontinued operations	11		33
(Loss)/profit for the year		(2 499)	2 477
Attributable to:			
Owners of Barloworld Limited		(2 476)	2 428
Non-controlling interests in subsidiaries		(23)	49
		(2 499)	2 477
(Loss)/earnings per share (cents)			
— basic	2	(1 236.0)	1 150.2
— diluted	2	(1 236.0)	1 146.9
(Loss)/earnings per share from continuing operations (cents)			
— basic	2	(1 236.0)	1 134.6
— diluted	2	(1 236.0)	1 131.3
Earnings per share from discontinued operation (cents)			
— basic			15.6
— diluted			15.5

* The restatement is due to Avis fleet no longer being classified as a discontinued operation, the restatement of impairment losses on financial assets and contract assets together with the disaggregation of non-operating and capital items (Refer to note 20).

Summarised preliminary consolidated statement of other comprehensive income

FOR THE YEAR ENDED 30 SEPTEMBER

R million	Audited	
	2020	Restated * 2019
(Loss)/profit for the year	(2 499)	2 477
Items that may be reclassified subsequently to profit or (loss):	1 190	553
Exchange gain on translation of foreign operations	1 244	527
Translation reserves realised on disposal of subsidiaries	(41)	
(Loss)/gain on cash flow hedges	(24)	32
Deferred taxation on cash flow hedges	11	(6)
Items that will not be reclassified to (loss) or profit:	(139)	(488)
Actuarial losses on post-retirement benefit obligations	(172)	(588)
Taxation effect of net actuarial losses	33	100
Other comprehensive income for the year, net of taxation	1 051	65
Total other comprehensive (loss)/income for the year	(1 448)	2 542
Total other comprehensive (loss)/income attributable to:		
Barloworld Limited shareholders	(1 425)	2 493
Non-controlling interest in subsidiaries	(23)	49
	(1 448)	2 542

Summarised preliminary consolidated statement of financial position

AT 30 SEPTEMBER

		Audited	
R million	Notes	2020	Restated * 2019
ASSETS			
Non-current assets		20 470	19 206
Property, plant and equipment	6	12 239	12 062
Right-of-use assets		1 611	
Goodwill	7	1 352	1 700
Intangible assets	8	1 632	1 558
Investment in associates and joint ventures	9	2 148	2 253
Finance lease receivables		187	157
Long-term financial assets	10	287	710
Deferred taxation assets		1 014	766
Current assets		27 379	27 855
Vehicle rental fleet		1 889	3 137
Inventories		10 170	8 328
Trade and other receivables		7 916	8 052
Contract assets		514	981
Taxation		147	83
Cash and cash equivalents		6 743	7 274
Assets classified as held-for-sale	11	29	327
Total assets		47 878	47 388
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium		(1 121)	441
Other reserves		5 856	4 523
Retained income		14 769	18 659
Interest of shareholders of Barloworld Limited		19 504	23 623
Non-controlling interest		246	272
Interest of all shareholders		19 750	23 895
Non-current liabilities		11 251	7 930
Interest-bearing		5 897	4 621
Deferred taxation liabilities		806	572
Lease liabilities		1 977	
Provisions		129	123
Contract liabilities		436	367
Other non-current liabilities		2 006	2 247
Current liabilities		16 877	15 485
Trade and other payables		11 096	10 179
Contract liabilities		1 272	870
Lease liabilities		351	
Provisions		622	601
Taxation		38	87
Amounts due to bankers and short-term loans		3 498	3 748
Liabilities directly associated with assets classified as held-for-sale	11		78
Total equity and liabilities		47 878	47 388

* The restatement in 2019 is due to Avis fleet no longer being classified as a discontinued operation, the restatement of an error on the inventory, trade and other payables, other non-current liabilities and contract liabilities (Refer to note 20).

Summarised preliminary consolidated statement of cash flows

FOR THE YEAR ENDED 30 SEPTEMBER

R million	Notes	Audited	
		2020	Restated * 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating cash flows before movements in working capital		5 210	6 474
Movement in working capital		670	765
Cash generated from operations before investment in rental fleets and leasing receivables		5 880	7 239
Inflow of investment in leasing receivables		65	161
Fleet leasing and equipment rental fleet		(673)	(1 118)
Additions		(2 347)	(2 940)
Proceeds on disposal		1 674	1 822
Vehicles rental fleet		524	(809)
Additions		(2 192)	(3 546)
Proceeds on disposal		2 716	2 737
Cash generated from operations		5 796	5 473
Finance costs		(1 274)	(1 134)
Realised adjustments on financial instruments		(223)	(130)
Dividends received from investments, associates and joint ventures		20	72
Interest received		155	204
Taxation paid		(933)	(774)
Cash inflow from operations		3 541	3 711
Dividends paid (including non-controlling interest)		(1 127)	(1 057)
Cash retained from operating activities		2 414	2 654
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	14	(2 766)	(5)
Proceeds on disposal of subsidiaries	14	14	(84)
Investments realised	15	367	114
Acquisition of intangible assets	15	(84)	(163)
Proceeds on disposal of intangible assets			5
Acquisition of property, plant and equipment		(536)	(633)
Replacement capital expenditure		(254)	(154)
Expansion capital expenditure		(282)	(479)
Proceeds on disposal of property, plant and equipment		39	119
Net cash used in investing activities		(2 966)	(647)
Net cash (outflow)/inflow before financing activities		(552)	2 007

* Restated for the following line items: investment in leasing receivables (reclassified), acquisition of subsidiaries and intangibles (separately reported), investments realised (separately reported) and proceeds on disposal of subsidiaries. Refer to note 20.

Summarised preliminary consolidated statement of cash flows continued

FOR THE YEAR ENDED 30 SEPTEMBER

R million	Notes	Audited	
		2020	Restated* 2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares repurchased for equity-settled share-based payments		(87)	(122)
Share buy back		(1 562)	
Non-controlling interest loan contribution			9
Proceeds from Khula Sizwe black public equity funding			164
Proceeds from long-term borrowings		2 760	69
Repayment of long-term borrowings		(1 978)	(1 449)
Movement in short-term interest-bearing liabilities		444	(1 529)
Repayments of lease liabilities		(343)	
Net cash used in financing activities		(766)	(2 858)
Net decrease in cash and cash equivalents		(1 318)	(851)
Cash and cash equivalents at beginning of year		7 274	7 893
Cash and cash equivalents held-for-sale at the beginning of year		29	19
Effect of foreign exchange rate movement on cash balance		443	71
Effect of foreign exchange rate movement on USD denominated cash		(187)	171
Cash balance held in Escrow		502	
Effect of cash balances classified as held-for-sale			(29)
Cash and cash equivalents at end of year		6 743	7 274

* Restated for the following line items: investment in leasing receivables (reclassified), acquisition of subsidiaries and intangibles (separately reported), investments realised (separately reported) and proceeds on disposal of subsidiaries. Refer to note 20.

Summarised preliminary 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 2018	441	4 194	17 598	22 233	517	22 750
Other comprehensive income		553	(488)	65		65
Profit for the year			2 428	2 428	49	2 477
Total comprehensive income for the year	441	4 747	19 538	24 726	566	25 292
Cumulative adjustments for adoption of new standards			20	20		20
Other reserve movements		(224)	129	(95)	23	(72)
Other changes in non-controlling interest					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
Cumulative adjustments for new standards			(281)	(281)		(281)
Adjusted opening balance for IFRS 16	441	4 523	18 378	23 342	272	23 614
Other comprehensive income		1 190	(139)	1 051		1 051
Loss for the year			(2 476)	(2 476)	(23)	(2 499)
Total comprehensive income for the year	441	5 713	15 763	21 917	249	22 166
Share buy back	(1 562)			(1 562)		(1 562)
Khula Sizwe B-BBEE charges		223		223		223
Equity settled IFRS 2 charges		60		60		60
Share scheme receipts		(88)		(88)		(88)
Acquisition of subsidiary					8	8
Disposal of subsidiaries		16	74	90		90
Transfer of reserves		(54)	54	0		0
Other reserve movements		(14)	(8)	(22)		(22)
Other changes in non-controlling interest					2	2
Dividends			(1 114)	(1 114)	(13)	(1 127)
Balance at 30 September 2020	(1 121)	5 856	14 769	19 504	246	19 750

Summarised preliminary notes to the consolidated financial statements

FOR THE YEAR ENDED 30 SEPTEMBER

1. BASIS OF PREPARATION

The summarised preliminary 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 preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) 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 and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the summarised preliminary 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 2020, 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 16: Leases for the first time, effective 1 October 2019. Refer to note 19 for further information regarding the impact of this new accounting standard.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

1. BASIS OF PREPARATION continued

As at 30 September 2019 Avis Fleet was disclosed as held-for-sale and a discontinued operation on the basis of management's firm intention to dilute Barloworld's interest in Avis Fleet to a 50% shareholding. Management have subsequently reconsidered this decision and concluded that this initiative will be placed on hold. This position will be re-assessed at the appropriate time and in the context of the Group's strategy and optimal portfolio mix. Going forward Avis Fleet will be re-presented as part of continuing operations. The impact of the decision has resulted in the income statement and balance sheet being restated to include Avis Fleet as part of continuing operations per note 20.

In addition, effective 1 September 2020, Barloworld Mongolia Limited, an indirect wholly owned subsidiary of Barloworld Limited, was awarded the Caterpillar distribution rights for Mongolia and acquired 100% of Wagner Asia Equipment LLC and a 49% share in SGMS LLC. Our Caterpillar business in Mongolia is engaged in the business of selling and distributing construction and mining equipment, aftermarket and technology solutions as well as rental solutions under the Caterpillar brand. This will enhance the expansion of the Barloworld Group in the mineral rich Eurasia region.

The summarised preliminary consolidated financial statements are presented in South African rand, which is Barloworld Limited's functional and presentation currency. The summarised preliminary 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 group companies are sufficiently liquid and solvent to be able to support the current operations for the next 12 months. Accordingly, the summarised preliminary consolidated financial statements are prepared on a going concern basis.

The summarised preliminary 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 T Plews CA(SA) (Group general manager: finance).

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

2. RECONCILIATION OF NET PROFIT TO HEADLINE EARNINGS

R million	Audited	
	2020	Restated * 2019
(Loss)/profit for the year attributable to Barloworld Limited shareholders	(2 476)	2 428
Adjusted for the following:		
Remeasurements excluded from headline earnings	1 940	(106)
Loss/(profit) on disposal of subsidiaries and investments	6	(45)
Tax charge of profit on disposal of subsidiaries and investments		2
Profit on disposal of plant, property, equipment and intangible excluding rental assets	(13)	(3)
Capital gain tax on profit on disposal of property	99	
Tax charge/(benefit) on profit on disposal of property, plant and equipment and intangible assets	2	(11)
Impairment of goodwill	702	
Tax benefit of impairment of goodwill	(3)	
Impairment of property, plant and equipment, right of use assets, intangible and other assets	303	127
Tax benefit of impairment on plant and equipment, right of use assets, intangibles and other assets	(14)	11
Non-controlling interest in remeasurements related to impairment on plant and equipment	(2)	
Impairment of indefinite life of intangible assets	708	
Tax benefit of impairment of indefinite life of intangible assets	(48)	
Fair value gain on initial recognition of associate		(212)
Impairment of investments in associates and joint ventures	194	25
Impairment of plant and equipment — associate and joint venture share	8	
Tax benefit on impairment on plant and equipment — associate and joint venture share	(2)	
Headline (loss)/earnings	(536)	2 322

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

2. RECONCILIATION OF NET PROFIT TO HEADLINE EARNINGS continued

R million	Audited	
	2020	Restated * 2019
(Loss)/profit from continuing operations	(2 499)	2 444
Non-controlling shareholder's interest in net profit from continuing operations	23	(49)
(Loss)/profit from continuing operations attributable to Barloworld Limited shareholders	(2 476)	2 395
Adjusted for the following items in continued operations:		
Gross remeasurements excluded from headline earnings from continuing operations	1 940	(73)
Loss/(profit) on disposal of subsidiaries and investments	6	(12)
Tax charge of profit on disposal of subsidiaries and investments		2
Profit on disposal of plant, property, equipment and intangible excluding rental assets	(13)	(3)
Capital gain tax on profit on disposal of property	99	
Tax charge/(benefit) on profit on disposal of property, plant and equipment and intangible assets	2	(11)
Impairment of goodwill	702	
Tax benefit of impairment of goodwill	(3)	
Impairment of property, plant and equipment, right of use assets, intangible and other assets	303	127
Tax benefit of impairment on plant and equipment, right of use assets, intangibles and other assets	(14)	11
Non-controlling interest in remeasurements related to impairment on plant and equipment	(2)	
Impairment of indefinite life of intangible assets	708	
Tax benefit of impairment of indefinite life of intangible assets	(48)	
Fair value gain on initial recognition of associate		(212)
Impairment of investments in associates and joint ventures	194	25
Impairment of plant and equipment — associate and joint venture share	8	
Tax benefit of impairment on plant and equipment — associate and joint venture share	(2)	
Headline (loss)/earnings from continuing operations	(536)	2 322

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

2. RECONCILIATION OF NET PROFIT TO HEADLINE EARNINGS continued

R million	Audited	
	2020	Restated * 2019
Profit from discontinued operation attributable to Barloworld Limited shareholders		33
Adjusted for the following items in discontinued operations:		
Profit on disposal of subsidiary		(33)
Net remeasurements excluded from headline earnings from discontinued operations		(33)
Headline earnings from discontinued operations		
Weighted average number of ordinary shares in issue during the period (000)		
— basic	200 330	211 085
— diluted	200 725	211 698
Headline earnings per share (cents)		
— basic	(267.6)	1 100.0
— diluted	(267.6)	1 096.8
Headline (loss)/earnings per share from continuing operations (cents)		
— basic	(267.6)	1 100.0
— diluted	(267.6)	1 096.8

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

3. REVENUE DISAGGREGATION

The Group revenue disaggregation has been determined as follows:

R million	Audited	
	2020	Restated * 2019
Revenue recognised in terms of IFRS 15: Revenue from contracts with customers		
Sale of goods (earned at a point in time)	34 534	41 604
Equipment (new and used)	10 979	11 565
Vehicles (new and used)	13 584	18 889
Parts (new and used)	9 971	11 150
Rendering of services (earned over time)	13 371	16 656
Parts revenue earned over time as services, maintenance and repairs under contracts are performed	1 238	721
Service	5 069	5 829
— Workshop and in-field service	3 811	4 429
— Aftersales	99	263
— Fitment and repairs	1 159	1 137
Commissions	637	878
Rental (outside the scope of IFRS 16)	2 837	3 988
Freight forwarding	117	265
Supply chain support solutions	1 164	2 229
Transportation	2 309	2 746
	47 905	58 260
Revenue recognised in terms of IFRS 16: Leases		
Fixed leasing income	1 586	1 770
Variable leasing income *	192	176
Total leasing income *	1 778	1 946
Total Revenue	49 683	60 206

^ The restatement of the revenue recognised has changed due to the reclassification of Avis Fleet into continued operations.

* Variable leasing income earned mainly relates to excess kilometres and additional maintenance costs invoiced.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

4. OPERATING PROFIT

R million	Audited	
	2020	Restated * 2019
Included in operating profit are:		
Cost goods sold (including allocation of depreciation)	38 466	46 324
Income include the following:		
Income from sub-leasing right-of-use assets	(2)	
Expenses includes the following:		
Staff costs	7 126	9 418
B-BBEE charges	236	73
IFRS 2 B-BBEE charge	223	
Other B-BBEE charges related to the Khula Sizwe transaction	13	73
Amortisation of intangible assets in terms of IFRS 3 business combinations	14	15
Operating leases — low value assets equipment, IT, plant and vehicles	306	
Operating leases — low value assets property	54	
Expense relating to short-term leases	42	
Expenses relating to variable lease payments not included in measure of lease liability	49	

The Group's B-BBEE deal Khula Sizwe was implemented on 1 October 2019. At 30 September 2020, 57 of the 64 properties had transferred to Khula Sizwe and the Barloworld entities were incurring rental changes related to these properties. Implementation charges of R13 million were incurred in the period (2019 R73 million) together with IFRS 2 Share Based Payment (IFRS 2) charges totalling R223 million (2019 Rnil).

The IFRS 2 charges in Barloworld arose from the benefits received by staff members which were facilitated by the Group providing funding/donations to the trusts so that employees could acquire their shares at less than market value. The employee trust was allocated 17 430 080 shares and the management trust was allocated 20 698 220 shares, this was then allocated as units to employees of 18 059 822 and 18 460 296 respectively. The employees will have an exercise price of nil, and management has contributed R7.1 million for their shares.

The IFRS 2 charges in Khula Sizwe arose from the per share discount given to Khula Sizwe shareholders in the initial share offering. The Khula Sizwe shares were valued using a Monte Carlo approach, with share prices following a geometric Brownian model. The following were the primary model inputs, estimates and judgements:

- The net asset value of Khula Sizwe, assuming all properties had transferred on 1 October 2020
- Share volatility determined with reference to the SA REIT index
- Adjustments for the lock in periods applicable to the shares
- Expected dividend yield
- The valuation outcome was compared to the R10 per share offer price and the estimated discount of R2.77 will be accounted for as an IFRS 2 charge in Khula Sizwe.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

4. OPERATING PROFIT continued

The IFRS 2 charges incurred by Barloworld segments in the period were as follows:

R million	2020
Employee Trust	108
Current year	87
Acceleration due to retrenchments	21
Management Trust	30
Current year	21
Acceleration due to retrenchments	9
Total IFRS 2 charges incurred by Barloworld segments	138

IFRS 2 charges incurred by the Khula Sizwe segment were as follows:

R million	2020
IFRS 2 charges incurred by the Khula Sizwe segment were as follows:	
Employee Trust	24
Management Trust	16
Black Public (once off charge)	45
Total IFRS 2 charges incurred by the Khula Sizwe segment	85
Total IFRS 2 charge incurred by the Barloworld Group	223

Note that the Employee Trust charge will be recognised over 2 years and the Management Trust charge will be recognised over 5 years in line with the service conditions attached to these shares. The Black Public charge is a day 1 charge and not recurring.

5. TAXATION

R million	Audited	
	2020	Restated 2019
Taxation per income statement	(889)	(850)
Prior year taxation	(6)	6
Taxation on impairment of indefinite life intangible assets, impairment of property, plant and equipment and other non-operating and capital items	(36)	(2)
Attributable to a change in the rate of income tax	(7)	
Taxation on profit before prior year taxation, non-operating and capital items and rate change	(840)	(854)

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

5. TAXATION continued

%	Audited	
	2020	Restated 2019
Continuing operations		
South Africa normal taxation rate	28.0	28.0
Foreign rate differential	(5.3)	3.4
Reduction in rate of taxation	13.1	(7.8)
Exempt income and special allowances [@]	11.6	(4.6)
Taxation losses of prior periods	0.6	
Non-operating and capital items taxation [^]		(1.3)
IAS12.41 adjustment ^{**}		(1.7)
Rate change adjustment	0.9	
Prior year taxation		(0.2)
Increase in rate of taxation	(92.7)	4.2
Disallowable charges and specific inclusions ^{***}	(27.0)	2.7
Non-operating and capital items taxation [^]	(34.6)	
Prior year taxation	(0.4)	
IAS12.41 adjustment ^{**}	(6.5)	
Withholding tax	(11.1)	0.8
Current year losses not utilised	(13.1)	0.7
Taxation as a percentage of (loss)/profit before taxation	(56.9)	27.8
Taxation (excluding prior year taxation and non-operating and capital items taxation) as a percentage of profit before taxation (excluding non-operating and capital items)	251.0	28.6

@ Exempt income and special allowances largely comprise learnerships allowances, gains on rental assets, dividends, investment income taxed at lower rates and other capital income/gains.

** The Group has companies in Russia, Mozambique, Malawi, Zambia and Angola where deferred taxes are recognized for temporary differences that arise when an entity's taxable profit or loss (and thus the tax basis of its non-monetary assets and liabilities) are measured in a currency different than its functional currency. Changes in the exchange rate result in a deferred tax asset or liability which is charged to profit or loss.

*** Disallowable charges and specific inclusions relate largely to the capital gain and recoupments resulting from the sale of properties in terms of the B-BBEE deal, IFRS 2 charges relating to the B-BBEE deal, expenses not incurred in the production of income, non-deductible capital nature professional fees, the impact of currency movements on the tax base of the companies mentioned in ** and other non-deductible expenses such as payroll expenses and provisions.

^ Non-operating and capital items taxation refer to expenses/income that are unrelated to Barloworld's core operations and fall outside the normal course of business. This would include items excluded from the headline earnings of the Group, refer to note 2.

Barloworld operates in numerous countries around the world and accordingly is subject to, and pays annual income taxes, under the various income tax regimes in the countries in which it operates. The Group has historically filed, and continues to file, all required income tax returns and to pay the taxes reasonably determined to be due. In some jurisdictions, tax authorities are yet to complete their assessments for previous years. The tax rules and regulations in many countries are highly complex and subject to interpretation. From time to time, the Group is subject to a review of its historic income tax filings and in connection with such reviews, disputes can arise with the tax authorities over the interpretation or application of certain rules in respect of the Group's business conducted within the country involved.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

5. TAXATION continued

Significant judgement is required in determining the worldwide provisions for income taxes due to the complexity of legislation. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The United Kingdom ("UK") government announced that it intends to require large businesses to notify HMRC where they have adopted an uncertain tax treatment applicable to returns filed after April 2021. Whilst the final regulations are still being drafted, we do not believe that any of the Barloworld companies in the UK Group will have anything to report.

6. PROPERTY, PLANT AND EQUIPMENT

R million	Audited	
	2020	2019
COST		
At 1 October	22 774	22 852
Subsidiaries acquired *	1 134	2
Other additions	5 084	7 120
Disposal of subsidiaries	(114)	(753)
Other disposals	(620)	(567)
Reclassifications **	(6 195)	(6 188)
Translation differences	434	309
At 30 September	22 497	22 775
ACCUMULATED AMORTISATION AND IMPAIRMENT		
At 1 October	7 400	6 884
Depreciation	2 259	2 388
Subsidiaries acquired *	588	
Disposal of subsidiaries	(99)	(164)
Other disposals	(448)	(311)
Reclassifications **	(1 790)	(1 694)
Impairment ^^	222	154
Translation differences	207	144
At 30 September	8 339	7 401
CARRYING AMOUNT		
At 30 September	14 158	15 374
Less: Vehicle rental fleet assets reflected under current assets	1 889	3 137
Classified as held-for-sale (note 11)	29	175
Balance reflected as property, plant and equipment	12 239	12 062
Net book value of capitalised leases included in above balance	398	564

* Refer to note 21 for details of the acquisition of Mongolia during the current year.

** The reclassifications within rental assets relates to assets that are recognised as property, plant and equipment and reclassified to inventory during the current year.

^^ The impairments primarily relate to the land and buildings held within Equipment Southern Africa operating segment as at 30 September 2020 which were impaired to net realisable value less costs to sell.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

7. GOODWILL

R million	Audited	
	2020	2019
COST		
At 1 October	1 957	2 140
Subsidiaries acquired *	328	2
Deconsolidation of subsidiary		(203)
Disposal of subsidiary [#]	(70)	
Translation differences	25	18
At 30 September	2 241	1 957
ACCUMULATED IMPAIRMENT LOSSES		
At 1 October	258	267
Deconsolidation of subsidiary		(9)
Disposal of subsidiary [#]	(70)	
Impairment	702	
Translation differences	(1)	
At 30 September	889	258
CARRYING AMOUNT	1 352	1 700

* Refer to note 21 for details of the acquisition of Mongolia during the current year. In addition to above goodwill to the value of R1.6 million (2019: R2 million) arose from the acquisition of trading licences within the Avis Rent-a-Car operating segment. This is considered immaterial and no further disclosure is provided.

[#] Relates to disposal of Smartmatta (fully impaired in 2018 financial year) within Logistics operating segment.

Goodwill is allocated to the following cash generating units for impairment testing purposes:

Significant cash-generating units (CGUs)	Geographical location	Reportable segment to which the CGUs belong	Carrying amount of goodwill		Accumulated impairments	
			2020 Rm	Restated 2019 Rm	2020 Rm	Restated 2019 Rm
Avis Rent a Car southern Africa	Southern Africa	Car Rental southern Africa	176	791	(619)	
Avis Fleet southern Africa	Southern Africa	Leasing	282	292	(11)	
Equipment Russia	Russia	Equipment Russia	240	212		
Equipment Botswana Zambia Angola Mozambique Malawi (BZAMM)	Rest of Africa	Equipment southern Africa		61	(57)	
Equipment Mongolia	Mongolia	Equipment Mongolia	324			
Other [*]	Various	Various	330	344	(15)	(70)
CARRYING AMOUNT			1 352	1 700	(702)	(70)

[^] The aggregate of the remaining immaterial goodwill balances consists of 10 cash generating units in 2020, (2019: 12).

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

7. GOODWILL continued

Goodwill is allocated to the appropriate CGUs based on which CGU is expected to benefit from the synergies arising in a business combination. External and internal factors surrounding the business operations play a role in determining an indication of impairment. In addition, the carrying amount of goodwill is subject to an annual impairment test. Notable, the goodwill acquired in the Equipment Mongolia business on 1 September 2020 has not been tested for impairment and will be subject to impairment testing for the first time in the 2021 financial year.

Impairment of goodwill arises when the recoverable amount of the CGU, including goodwill, is less than the carrying value. The recoverable amount is determined as the greater of the fair value less costs to sell or the value in use.

With the outbreak of the COVID-19 global pandemic, the resulting global economic downturn and the credit rating downgrade of South Africa to sub-investment grade all goodwill was assessed for impairment which resulted in the below mentioned impairments for the year ended 30 September 2020.

Impairments recognised in the year	Geographical location	Reportable segment to which the CGUs belong	30 Sep 2020 Rm
Avis Rent a Car southern Africa (Note 1)	Southern Africa	Car Rental	619
Avis Fleet southern Africa	South Africa	Avis Fleet	11
Equipment Botswana, Zambia, Angola, Mozambique, Malawi (BZAMM) (Note 2)	Rest of Africa	Equipment Southern Africa	57
Global Solutions	South Africa	Logistics	6
Aspen	South Africa	Logistics	9
Total			702

Note 1: Avis Rent a Car southern Africa: Impairment recognised for the current year.

In South Africa, as a result of the initial lockdown announced by President Ramaphosa, all non-essential operations (dealerships, stores, head offices and distribution centres) were closed from 27 March 2020 until 12 May 2020. The automotive industry was allowed to return to trading in a phased approach between May and June 2020. As the economy transitioned to level 3 lockdown with dealerships allowed to resume operations, an improvement in vehicle sales was experienced in June 2020. The Avis Rent a Car business has been significantly impacted by the COVID-19 crisis due to local and global travel restrictions which have particularly impacted the on-airport market segment. This crisis was expected have a prolonged impact on the cash flows in this business driven by an expected slow recovery of local and global tourism. Regulatory restrictions on used car sales and expectations for future used car sales volumes and margins also negatively impacted cash flow projections for this business. The impairment recognised is a reflection of projected cash flows as estimated at 31 March 2020 when the impairment was recognised and based on further impairment testing carried out at 30 September 2020 no additional impairment were recognised (in accordance with IAS36 impairment to goodwill cannot be reversed).

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

7. GOODWILL continued

Note 2: BZAMM: Impairment recognised for current year.

Similar to the automotive industry, lower than expected short and long term growth rates in the African regions (BZAMM) negatively impacted expected mining and construction activity levels which drive the cash flows of this CGU. Further, the higher discount rate applied to these lower forecast cash flows was a primary driver of the impairment recognised during the year. At 30 September the uncertainty of the effects of COVID-19 on future cash flows has necessitated the use of judgements and assumptions in estimating the impact on the carrying value of certain assets, in applying the accounting policies in the preparation of the Annual Financial Statements. Accordingly, an impairment charge has been recognised in these regions for property, plant and equipment of R140 million (refer to note 6) and intangible assets of R708 million (refer to note 8).

The key assumptions used in the value in use calculation for the CGU's shown above are as follows:

At each impairment testing interval a discounted cash flow valuation model is applied using a five-year strategic plan as approved by the board. The financial plans are the quantification of strategies derived from the use of a common strategic planning process followed across the group adjusted for the estimated impact of COVID-19 on the various businesses in the medium term and the expected prolonged recovery from this global crisis which has impacted long term growth rates across our businesses. The process ensures that significant risks and sensitivities are appropriately considered and factored into strategic plans.

The discount rate applied to the five year forecast period has been outlined for each cash generating unit in the table below. Discount rates applied to cash flow projections are based on a country or region-specific discount rate, dependent upon the location of cash-generating operations. As at 30 September 2020 there was a marked increase in discount rates as a result of increased risk free rates used within the discount rate calculations together with higher country risk premiums across the territories in which we operate. The notable reduction in the discount rate applied to the Avis Rent a Car Southern Africa is a reflection of the lower borrowing rates prevailing in the market as well as taking into account the capital structure of comparable businesses, where the industry average ratio of Debt to Equity is considerably higher (when compared to trading businesses). The net effect is a higher proportion of a lower cost of debt in the discount rate.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

7. GOODWILL continued

The pre-tax nominal discount rates applied are as follows:

Significant cash-generating units (CGUs)	Geographical location	Currency	2020 (%)	2019 (%)
Avis Rent a Car southern Africa	Southern Africa	ZAR	25.3 **	16.3
Avis Fleet southern Africa	Southern Africa	ZAR	23.3	23.5 to 25.6
Equipment Russia	Russia	USD	13.3	12.0
BZAMM	Rest of Africa	USD	18.3	18.0
Other	Various	Various	14.6 to 28	14.2 to 19

** In current year discount rate based on Cost of Equity whilst prior year discount rate based on WACC due to refinements in the RAC valuation models.

Long-term growth rates applied to extrapolate cash flows are as follows:

Significant cash-generating units (CGUs)	Geographical location	Currency	2020 (%)	2019 (%)
Avis Rent a Car southern Africa	Southern Africa	ZAR	4.7	5.0
Avis Fleet southern Africa	Southern Africa	ZAR	4.7	5.0
Equipment Russia	Russia	USD	1.9	2.1
BZAMM	Rest of Africa	USD	1.8	2.0
Other	Various	Various	4.7	2.0 to 5.0

Sales growth rates: sales growth rates have been derived by analysing historical data, considering growth rates projected by the senior management teams which includes price and volumes and considering the economic and trading conditions of each area within South Africa and the rest of the world.

Gross margins: gross margins have been derived by analysing historical data, approved forecast gross margins for the forecast period, and considering the impact of currency fluctuations.

Operating costs have been derived by analysing historical data, considering economic and trading conditions, committed and uncommitted capital expenditure, and operating requirements coupled by various operational improvement initiatives.

Working capital: working capital requirements are driven by required stock turn ratios, credit terms and capital expenditure requirements

Long-term growth rates: long-term growth rates are based on the longer term inflation and currency expectations for the various industries in South Africa and the rest of the world.

As at 30 September 2020, management have performed sufficient sensitivity analysis to conclude that a reasonably possible change in key assumptions would not cause the carrying amount of the Group's individual cash-generating units to exceed their value in use.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

7. GOODWILL continued

HEADROOM SUMMARY

R million	Avis Rent a Car southern Africa	Avis Fleet Services southern Africa
Recoverable amount (based on value in use)	1 605	1 245
Headroom	690	776

8. INTANGIBLE ASSETS

R million	Audited	
	2020	2019
COST		
At 1 October	2 920	2 832
Subsidiaries acquired*	782	
Additions	83	162
Deconsolidation of subsidiaries	(8)	(67)
Disposals	(143)	(69)
Reclassification	3	
Translation differences	86	62
At 30 September	3 723	2 920
ACCUMULATED AMORTISATION AND IMPAIRMENT		
At 1 October	1 360	1 302
Charge for the year	136	115
Subsidiaries disposed	(6)	(2)
Disposals	(137)	(59)
Impairment^	735	
Translation differences	4	4
At 30 September	2 091	1 360
CARRYING AMOUNT		
At 30 September	1 632	1 560
Less: Classified as held-for-sale (note 11)		(2)
Total Group	1 632	1 558

Acquisition of Mongolia in the current financial year included Supplier relationship with Caterpillar which will be amortised over the remaining useful life of 20 years. Refer to note 21.

^ With the outbreak of the COVID-19 global pandemic, the resulting global economic downturn and the credit rating downgrade of South Africa to sub-investment grade all indefinite life intangible assets were assessed for impairment at 30 September 2020 which resulted in the below mentioned impairments.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

8. INTANGIBLE ASSETS continued

Impairments recognised in the year	Category/class of intangible assets	Geographical location	Reportable segment to which the CGUs belong	30 Sep 2020 Rm
Equipment Botswana, Zambia, Angola, Mozambique, Malawi (BZAMM) *	Supplier Relationships	Rest of Africa	Equipment Southern Africa	708
Other	Other Software	South Africa	Various	27
Total				735

* BZAMM

COVID-19 had a significant impact on the performance of the group and is expected to continue to do so for at least the remainder of the calendar year, given the fluid and challenging environment. The mandatory lockdown measures imposed to curb the pandemic resulted in the closure of a significant number of the Group's operations which all led to a decreased overall demand in the short-term. The uncertainty of the effects of COVID-19 on future cash flows has necessitated the use of judgements and assumptions in estimating the impact on the carrying value of certain assets, in applying the accounting policies in the preparation of the Annual Financial Statements. Accordingly, an impairment charge has been recognised for the supplier relationship intangibles in the BZAMM territories of R708 million. This was as a result of lower expected short and long term growth rates in these regions negatively impacted on expected mining and construction activity levels which drive the cash flows of this CGU. Further, the higher discount rate applied to these lower forecast cash flows was a primary driver of the impairment recognised for the current year.

Significant cash-generating units (CGUs)	Useful life	Category/class of intangible assets	Geographical location	Reportable segment to which the CGUs belong	Carrying amount of goodwill		Accumulated impairments
					2020 Rm	2019 Rm	2020 Rm
Equipment Russia	Indefinite	Supplier Relationship	Russia	Equipment Russia	214	195	
Equipment South Africa	Indefinite	Supplier Relationship	South Africa	Equipment South Africa	277	277	
Equipment Mongolia	Definite	Supplier Relationship	Mongolia	Equipment Russia	764		
BZAMM	Indefinite	Supplier Relationship	Rest of Africa	Equipment Mongolia		640	708
Other	Indefinite	Supplier Relationship	Various	Various	21	20	
Total indefinite life intangible					1 276	1 132	708

The Equipment South Africa and Russia indefinite life intangible assets classified as Supplier Relationship are in relation to a dealer agreement which has no fixed termination date. The indefinite useful life is supported by Barloworld's long standing relationship with Caterpillar Incorporated, (CAT) as the exclusive CAT mining equipment dealer in South Africa, BZAMM and parts of Russia.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

8. INTANGIBLE ASSETS continued

The key assumptions used in the value in use calculation for the CGU's shown above are as follows:

At each impairment testing interval a discounted cash flow valuation model is applied using a five-year strategic plan as approved by the board. The financial plans are the quantification of strategies derived from the use of a common strategic planning process followed across the group adjusted for the estimated impact of COVID-19 on the various businesses in the medium term and the expected prolonged recovery from this global crisis which has impacted long term growth rates across our businesses. The process ensures that significant risks and sensitivities are appropriately considered and factored into strategic plans.

The discount rate applied to the five year forecast period has been outlined for each cash generating unit in the table below. Discount rates applied to cash flow projections are based on a country or region-specific discount rate, dependent upon the location of cash-generating segment operations. As at 30 September 2020 there was a marked increase in discount rates as a result of increased risk free rates used within the discount rate calculations together with higher country risk premiums across the territories in which we operate.

The pre-tax nominal discount rates applied are as follows:

Significant cash-generating units (CGUs)	Geographical location	Currency	2020 (%)	2019 (%)
Equipment Russia	Russia	USD	13.3	12.0
Equipment South Africa	South Africa	ZAR	17.7	18.0
BZAMM	Rest of Africa	USD	18.3	16.8
Other	South Africa	ZAR	15.8	14.6

Long-term growth rates applied to extrapolate cash flows are as follows:

Significant cash-generating units (CGUs)	Geographical location	Currency	2020 (%)	2019 (%)
Equipment Russia	Russia	USD	1.9	2.1
Equipment South Africa	South Africa	ZAR	4.7	5.0
BZAMM	Rest of Africa	USD	1.8	2.0
Other	South Africa	ZAR	4.7	5.0

As at 30 September 2020, management have performed sufficient sensitivity analysis to conclude that a reasonably possible change in key assumptions would not cause the carrying amount of the Group's individual cash-generating units to exceed their recoverable amount (value in use).

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

9. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

R million	Audited		Carrying value of investment	
	(Loss)/income per profit and loss			
	2020	2019	2020	2019
Joint ventures	(95)	246	1 403	1 560
Bartrac Equipment Limited	(41)	268	1 350	1 266
BHBW South Africa (Pty) Limited	(58)	(16)	45	290
Other	4	(6)	8	4
Associates	47	(15)	745	693
NMI Durban South Motors (Pty) Ltd	52	4	666	617
Other	(5)	(19)	745	76
Total group	(48)	231	2 148	2 253

Impairment of investments arises when the recoverable amount of the Investment is less than the carrying value. The recoverable amount is determined as the greater of the fair value less costs to sell or the value in use. For the purposes of assessing the above Investments for impairment, the recoverable amount was based on the fair value less costs to sell method.

With the outbreak of the COVID-19 global pandemic, the resulting global economic downturn and the credit rating downgrade of South Africa to sub-investment grade all investments in associates and joint ventures were assessed for impairment at 30 September 2020 which resulted in the below mentioned impairments.

Impairments recognised in the year	Geographical location	Reportable segment	Investments Rm	Loans Rm
BHBW South Africa (Pty) Limited	South Africa	Equipment and Handling	187	
BHBW Zambia Limited	Zambia	Equipment and Handling	7	16
Barloworld Maponya (Pty) Limited *	South Africa	Automotive	16	9
Total			210	25

* The impairment of loan in Barloworld Maponya (Pty) Ltd in the current year is recognised in operating expenses.

The following key assumptions have been used in determining the fair value less costs to sell of each investment at 30 September 2020:

%	Bartrac Equipment Limited	BHBW South Africa (Pty) Limited	NMI Durban South Motors (Pty) Limited *
Pre-tax nominal discount rate	19.7	17.4	15.3
Terminal growth rate	1.9	4.7	4.7

* It should be noted that the investment in NMI Durban South Motors (Pty) Ltd was impaired by R124 million at 31 March 2020 but has subsequently been reversed after it was concluded that since the economy transitioned to level 3 lockdown with dealerships allowed to resume operations, an improvement in vehicle sales was experienced. As a result of the extensive planning prior to the relaxation of restrictions, supported by our existing infrastructure the dealership was in a position to commence trading as soon as restrictions were eased. This readiness, coupled with the sufficient availability of vehicles, enabled successful trade since the restrictions have tapered off.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

9. INVESTMENT IN ASSOCIATES AND JOINT VENTURES continued

Reasons for impairment are as follows:

BHBW SOUTH AFRICA (PTY) LTD

Projections indicate the Company will continue to make losses through 2020 and 2021 impacted by the COVID-19 crisis and the related economic downturn. The impairment recognised is a reflection of projected cash flows in the current market environment. The discount rate increased in the period under review, further impacting on the valuation.

The sensitivity of management's assumptions as applied in the valuation is demonstrated below. Specifically, the sensitivity analysis indicates the point at which the headroom over the carrying value is reduced to zero (break even). Each sensitivity has been performed independently and not cumulatively across all assumptions.

As at 30 September 2020, management have performed sufficient sensitivity analysis to conclude that a reasonably possible change in key assumptions would not cause the carrying amount of the Group's individual cash-generating units to exceed their recoverable amount (fair value less costs to sell) (other than for those investments that were impaired in the year).

	BHBW South Africa (Pty) Limited
%	
The pre-tax nominal discount rates (discount rate) breakeven sensitivity	
Discount rate base case	17.4
Discount rate breakeven level [^]	18.3

[^] Level of discount rate at which Headroom is R0.

	BHBW South Africa (Pty) Limited
%	
Long-term growth breakeven sensitivity	
Base case long-term growth rate	4.7
Long-term growth rate breakeven level*	3.3

* Long-term growth rate can drop to below 0% before investment is fully impaired.

10. LONG-TERM FINANCIAL ASSETS

R million	Audited	
	2020	Restated * 2019
Listed investments at fair value	2	2
Unlisted investments at fair value	78	62
Unlisted debt instruments* [^]	102	447
Other receivables	105	199
Total per statement of financial position	287	710

* The Group remains invested in Dollar linked Angolan government bonds. On maturity the bonds will be settled in Kwana. At September 2020, the Group's investment in these bonds was \$31.7 million (2019: \$57 million) of which long term was \$6.1 million (2019: \$29 million).

The above assets have been assessed for impairment based on the historical and forecast dividends received and no impairment is required. Refer to note 12 regarding the fair value of the Angolan bonds.

[^] Immaterial credit loss arising from unlisted debt instruments and other receivables.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

11. DISCONTINUED OPERATIONS

As at 30 September 2019 Avis Fleet was disclosed as held-for-sale and a discontinued operation on the basis of management's firm intention to dilute Barloworld's interest in Avis Fleet to a 50% shareholding. Management have subsequently reconsidered this decision and concluded that this initiative will be placed on hold. This position will be re-assessed at the appropriate time and in the context of the Group's strategy and optimal portfolio mix. Going forward Avis Fleet will be presented as part of continuing operations and the 2019 financial statements have been restated accordingly.

Results from discontinued operations as reported are as follows:

R million	Audited	
	2020	Restated 2019
Current year adjustment to the profit on disposal of Equipment Iberia [^]		33
Profit from discontinued operations per income statement		33

[^] In the previous year certain tax uncertainties related to our Iberian operations were resolved resulting in the reversal of previously held provisions totalling R33 million. This was a change in estimates in the year and as such it was accounted for prospectively through non-operating and capital items in the income statement.

The major classes of assets and liabilities classified as held-for-sale are as follows:

R million	2020
Property*	29

* The Equipment division has taken the decision to dispose of non-core properties. The resolution to sell the properties was taken in the current financial year and therefore the properties are classified as held-for-sale as at 30 September 2020.

R million	Audited 2019
Property, plant and equipment	175
Intangible assets	2
Deferred tax asset	16
Inventories	13
Trade and other receivables	92
Cash and cash equivalents	29
Total assets classified as held-for-sale*	327
Total current payables	(60)
Short-term provisions	(18)
Total liabilities associated with assets classified as held-for-sale**	(78)
Net assets classified as held-for-sale	249

* Includes financial assets of R121 million.

** Includes financial liabilities measured at amortised cost of R60 million.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

11. DISCONTINUED OPERATIONS continued

R million	2020	2019
Per business segment:		
Equipment (note 1)	29	70
Logistics SmartMatta and Middle East (note 2)		86
Corporate office (note 3)		93
Total group	29	249

Note 1: This refers to properties within the Equipment division that are in the process of being sold.

Note 2: Assets held-for-sale in the Logistics business included Middle East and SmartMatta. These businesses were sold in the year.

Note 3: 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.

12. FINANCIAL INSTRUMENTS

R million	Audited	
	2020	Restated 2019
ASSETS		
Long-term finance lease receivables	187	157
Long-term financial assets	278	677
Trade and other receivables	6 238	7 395
Cash and cash equivalents	6 743	7 303
Total assets	13 446	15 531
LIABILITIES		
Interest-bearing non-current liabilities	5 897	4 621
Lease liabilities non-current	1 977	
Other non-current liabilities	525	146
Lease liabilities current	351	
Trade and other payables	10 077	8 830
Amounts due to bankers and short-term loans	3 498	3 747
Total liabilities	22 324	17 344

All financial instruments are carried at fair value or amounts that approximate fair value, except for the non-current portion of fixed rate receivables, payables and interest-bearing borrowings, which are carried at amortised cost. The carrying amounts for investments, cash, cash equivalents as well as the current portion of receivables, payables and interest-bearing borrowings approximate fair value due to the short-term nature of these instruments. The fair values have been determined using available market information and discounted cash flows.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

12. FINANCIAL INSTRUMENTS continued

For all of the above mentioned financial asset categories the carrying value approximates the fair value with the exception the Angolan Bonds included within Long Term financial asset and Trade and Other Receivables where the fair value as at 30 September 2020 exceeds the carrying value by R22 million (30 September 2019: R30 million). Note that the Angolan Bonds are measured at amortised cost however had they been measured at fair value they would represent a level 2 financial instruments valued in line with comparable hedging instruments.

For all of the above mentioned categories the carrying value approximates the fair value with the exception of non-current interest bearing liabilities where the fair value as at 30 September 2020 has been calculated as R95 million (2019: R33 million).

FAIR VALUE MEASUREMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets. The markets from which these quoted prices are obtained are the bonds market, the stock exchange as well other similar markets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The valuation techniques used in deriving level 2 fair values are consistent with valuing comparable hedging instruments (foreign exchange contracts and interest rate swaps). The primary input into these valuations are foreign exchange rates and prevailing interest rates which are derived from external sources of information.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The valuation techniques used in deriving level 3 fair values are discounted cash flows as well as the net asset value approach of the investment that is being valued. This information is based on unobservable market data, and adjusted for based on management's experience and knowledge of the investment.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

12. FINANCIAL INSTRUMENTS continued

R million	2020			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Long-term financial assets	2		78	80
Trade and other receivables		15		15
Total	2	15	78	95
Financial liabilities at fair value through profit or loss				
Other non-current liabilities		84		84
Trade and other payables		9		9
Financial liabilities at FVOCI *				
Trade and other payables		151		151
Total		160		243

* This relates to forward exchange contracts that are part of a cash flow hedging relationship (of which the effective portion has been recognised through OCI and the ineffective portion has been recognised through profit and loss).

R million	2019			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Long-term financial assets	2		62	64
Trade and other receivables		4		4
Financial assets at FVOCI				
Trade and other receivables		45		45
Total	2	49	62	113
Financial liabilities at fair value through profit or loss				
Trade and other payables		37		37
Financial liabilities at FVOCI *				
Trade and other payables		1		1
Amounts due to bankers and short-term loans		15		15
Total		53		53

* This relates to forward exchange contracts that are part of a cash flow hedging relationship (of which the effective portion has been recognised through OCI and the ineffective portion has been recognised through profit and loss).

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

12. FINANCIAL INSTRUMENTS continued

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS

R million	Fair Value through profit and loss		
	Unlisted shares (Note 1)	Investment in cell captives (Note 2)	Total
Balance as at 1 Oct 2018	5	53	58
Total gains recognised in profit and loss		4	4
Balance 30 September 2019	5	57	62
Balance as at 1 Oct 2019	5	57	62
Total gains recognised in profit and loss	11	5	16
Balance 30 September 2020	16	62	78

Note 1: Unlisted shares are measure at fair value considering the latest arm's length share trade information available for this investment. Sensitivity to inputs is considered immaterial for further disclosure.

Note 2: The valuation techniques used in deriving fair value of investments in cell captures are based on Net asset value approach of the underlying cell captives. Sensitivity to inputs is considered immaterial for further disclosure.

FINANCIAL RISK MANAGEMENT

MARKET RISK

i) Currency risk

Trade commitments

Currency risk arises because the Group enters into financial transactions denominated in a currency other than the functional currency of the Group. The Group's currency exposure management policy for the southern African operations is to hedge substantially all material foreign currency trade commitments in which customers have or will not be accepting the currency risk. In respect of offshore operations, where there is a traditionally stable relationship between the functional and transacting currencies, the need to take foreign exchange cover is at the discretion of the divisional board. Each division manages its own trade exposure within the overall framework of the Group policy. In this regard the Group has entered into certain forward exchange contracts which do not relate to specific items appearing in the statement of financial position, but were entered into to cover foreign commitments not yet due or proceeds not yet received. The risk of having to close out these contracts is considered to be low.

Net currency exposure and sensitivity analysis

The following table represents the extent to which the Group has monetary assets and liabilities in currencies other than the Group companies' functional currency. The information is shown inclusive of the impact of forward contracts and options in place to hedge the foreign currency exposures. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured. Based on the net exposure below it is estimated that a simultaneous 10% change in all foreign currency exchange rates against divisional functional currency will impact the fair value of the net monetary assets/liabilities of the group to the following extent:

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

12. FINANCIAL INSTRUMENTS continued

R million	September 2020	September 2019
Foreign currency sensitivity analysis		
Impact of a 10% change in all foreign currency exchange rates	68	288
— impact on profit or loss,	55	262
— impact other comprehensive income	13	26

ii) Interest rate risk

Interest rate risk arises when the absolute level of interest rates the Group is exposed to fluctuates. The Group manages the exposure to interest rate risk by maintaining a balance between fixed and floating rate borrowings. The interest rate characteristics of new borrowings and the refinancing of existing borrowings are structured according to expected movements in interest rates. There has been no change in the current year to this approach.

R million	September 2020	September 2019
Interest rate sensitivity analysis		
Impact of a 1% increase in South African interest rates		
— charge to profit or loss	97	87
Impact of a 1% increase in offshore interest rates		
— charge to profit or loss	13	12

Credit risk management

Credit risk arises from the risk that a counterparty may default or not meet its obligations timeously as contracted. Credit risk is managed on a group-wide basis. Potential areas of credit risk relate primarily to trade receivables and cash on deposit. Trade receivables consist mainly of a large and widespread customer base. Where considered appropriate, use is made of credit guarantee insurance. The granting of credit is controlled by a thorough application process based factors specific and unique to each operating division which includes creditworthiness checks using the reputable ITC institutions, the credit quality of the customer, its financial position, upfront deposits received etc. Group companies monitor the financial position of their customers on an on-going basis. It is group policy to deposit cash with major banks and financial institutions with strong credit ratings.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience shows significantly different loss patterns for the different customer segments, the provision for loss allowance is further distinguished between the Group's different operations.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

12. FINANCIAL INSTRUMENTS continued

R million	Gross carrying amount	Lifetime ECL	Average ECL/impairment ratio (%)
Division			
Equipment	3 995	(382)	9.6
Automotive	1 721	(595)	34.6
Logistics	866	(49)	5.6
Corporate and Khula Sizwe	14	(1)	4.5
Balance 30 Sep 2020	6 596	(1 027)	15.6
Equipment	4 485	(405)	9.0
Automotive	1 890	(536)	28.4
Logistics	953	(39)	4.1
Corporate	192	(1)	
Balance 30 Sep 2019	7 520	(981)	13.0

iii) Liquidity risk

Liquidity risk arises when the Group cannot meet its contractual cash outflows as they fall due and payable. The Group manages liquidity risk by monitoring forecast cash flows, maintaining a balance between long term and short term debt and ensuring that adequate unutilised borrowing facilities are maintained. Unutilised bank facilities amounted to R15.7 billion (2019: R10.5 billion). There has been no change to this approach during the current year.

Maturity profile of financial liabilities

The maturity profile of the financial instruments is summarised as follows (based on contractual undiscounted cash flows):

R million	Repayable during the year ending 30 September 2020			
	Total owing	Within one year	Two to five years	Greater than five years
Interest-bearing liabilities	7 278	1 771	5 507	
Trade payables and other non-interest bearing liabilities	9 917	9 917		
Lease liabilities	7 034	748	2 564	3 722
FECs	243	243		

R million	Repayable during the year ending 30 September 2019		
	Total owing	Within one year	Two to five years
Interest-bearing liabilities	9 118	2 625	6 493
Trade payables and other non-interest bearing liabilities	8 792	8 792	
FECs	53	53	

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

12. FINANCIAL INSTRUMENTS continued

R million	Maturity profile of financial guarantees contracts as at 30 September 2020		
	Total owing	Within one year	Two to five years
Risk share debtors	275	12	263
Financial guarantees on behalf of joint ventures and associates	679	679	

R million	Maturity profile of financial guarantees contracts as at 30 September 2019		
	Total owing	Within one year	Two to five years
Risk share debtors	459	419	40
Financial guarantees on behalf of joint ventures and associates	598	598	

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 2020 the maximum exposure of this guarantee was estimated to be R106 million (2019: R294.2 million) representing 25% of the capital balance outstanding.

During 2018 the Barloworld Equipment division entered into Risk Share Agreement with Caterpillar Financial Services South Africa (Pty) Ltd. 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 2020 the gross maximum exposure of this guarantee was estimated to be R148 million (30 Sep 2019: R116.2 million) representing 25% of the capital balance outstanding.

During 2018 the Vostochnaya Technica Equipment division entered into a Risk Share Agreement with Caterpillar Financial LLC. 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 2020 the maximum exposure of this guarantee was estimated to be R21 million (2019: R48 million) representing 40% – 60% of the capital balance outstanding.

Barloworld also provides certain guarantees on behalf of NMI, Maponya, Bartrac and BHBW of which non-performance by these associates and joint ventures will result in contractual cashflows to be made by Barloworld which has been included in the above mentioned maturity analysis.

As these risk share agreements relate to a contractual payment in the event of default they are accounted for as financial instruments (Financial Guarantee contracts).

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

12. FINANCIAL INSTRUMENTS continued

Liquidity risk maturity analysis disclosure

R million	Total owing	Within one year
Forward exchange contract for acquisition of Tongaat Hullet starch (note 21.2) *	4 986	4 986

* The purchase consideration was settled on 31 October 2020 through cash obtained from a bridging finance loan payable in May 20201, a process of refinancing of this loan as a long term loan will be undertaken by ABSA through Barloworld Bonds and loans.

13. DIVIDENDS

R million	Audited	
	2020	2019
Ordinary shares		
Final dividend No 182 paid on 13 January 2020: 297 cents per share (2019: No 180 — 317 cents per share)	631	674
Special dividend No 182 paid on 13 January 2020: 228 cents per share (2019: NIL)	483	
Interim dividend (2019: No 181 — 165 cents per share)		350
Paid to Barloworld Limited shareholders	1 114	1 024
Paid to non-controlling shareholders	13	33
	1 127	1 057

Analysis of dividends declared in respect of current year's earnings:

Cents	Audited	
	2020	2019
Ordinary dividends per share		
Interim dividend		165
Final dividend		297
		462
Special dividend per share		228

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

14. ACQUISITION OF SUBSIDIARIES

R million	Audited	
	2020	Restated 2019
Inventories acquired	(1 386)	
Receivables acquired	(463)	
Trade and other payables acquired	539	
Cash	(162)	
Intangible assets	(8)	
Property, plant and equipment, non-current assets and goodwill	(548)	
Non-controlling interest	8	(3)
Total net assets acquired	(2 020)	(3)
Goodwill arising on acquisitions	(328)	(2)
Supplier relationship intangible arising on acquisition in terms of IFRS 3 Business Combinations	(773)	
Deferred taxation arising on supplier relationship intangible asset	193	
Cash amounts paid to acquire subsidiaries	(2 928)	(5)
Bank balances and cash in subsidiaries acquired	162	
Acquisition of subsidiaries	(2 766)	(5)

During the period the Automotive Trading segment acquired three BMW dealerships for R84 million. Refer to note 21 for details of the acquisition of Barloworld Mongolia which became effective 1 September 2020.

15. PROCEEDS ON DISPOSAL OF SUBSIDIARIES

R million	Audited	
	2020	Restated 2019
Inventories disposed	15	879
Receivables disposed	62	341
Payables, taxation and deferred taxation balances disposed and settled	(74)	(1 253)
Borrowings net of cash	10	95
Property, plant and equipment, non-current assets, goodwill and intangibles	18	406
Net assets disposed	31	468
Non-controlling interest		(457)
(Loss) profit on disposal	(32)	5
Non-cash translation reserves realised on disposal of foreign subsidiary	41	
Net cash proceeds on disposal of subsidiaries	40	16
Bank Balances and cash in subsidiaries disposed	(26)	(100)
Cash proceeds on disposal of subsidiaries	14	(84)

Effective 1 October 2019 Barloworld disposed of its Logistics Middle East business for R39 million (\$2 million). The funds were received on 18 February 2020.

Effective 31 July 2020 Barloworld disposed of its SmartMatta business, the proceeds will effectively be repaid in the form of a loan over two years at R13.4 million. A R6 million loss on sale of this operation was recognised.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

16. COMMITMENTS

Capital expenditure commitments to be incurred:

R million	Audited	
	2020	Restated 2019
Contracted — Property, plant and equipment	94	186
Contracted — Intangible assets	56	42
Contracted — Vehicle rental fleet	702	941
Approved but not yet contracted	65	117
Total group	917	1 286

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

Lease commitments:

R million	2019 Total
Operating lease commitments *	
Land and buildings	2 060
Motor vehicles	738
Capital equipment and other	475
Total group	3 273

* The Group has adopted IFRS 16 leases on 1 October 2019 and therefore all operating lease commitments are now included on the balance sheet in line with the Group policy adopted. Refer to note 19 for more details on the accounting policy change.

17. CONTINGENT LIABILITIES

R million	Audited	
	2020	2019
Performance guarantees given to customers and other guarantees and claims	110	212
Buy-back and repurchase commitments not reflected on the statement of financial position	85	114

Due to a change in characteristics certain guarantees relating to contractual obligations have been removed from contingent liabilities for 2020 and 2019 financial years and is now recognised as financial liabilities for which maturity analysis have been presented in liquidity risk section (refer to note 12 Financial Instruments).

18. RELATED PARTY TRANSACTIONS

There has been no significant changes in related party relationships and the nature of related party transactions since the previous year.

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

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

19. CHANGES IN ACCOUNTING POLICIES

19.1 ADOPTION OF NEW STANDARDS EFFECTIVE

IFRS 16 LEASES

The Group adopted IFRS 16 on 1 October 2019 and elected to apply the modified retrospective approach with the net impact of the first time adoption of IFRS 16 recognised in retained earnings. The Group applied the exception for short term leases (lease term of less than 12 months) and leases of low value (R85 000) assets.

The adoption of the new standard had the most impact on the Group's property operating leases that were capitalised on 1 October 2019 for the first time. The adoption of IFRS 16 resulted in a right-of-use asset of R1.8 billion and a corresponding liability of R2.3 billion with the difference of R281 million adjusted against retained earnings opening balance (see statement of changes in equity), R213 million against lease smoothing liability and R78 million against deferred tax.

There were a limited number of immaterial onerous lease contracts that required adjustment to the right-of-use asset at the date of initial application.

The lessor accounting has remained primarily the same and therefore there was no financial impact on the Group.

The following practical expedients were applied by the Group on adoption of IFRS 16 as follows:

1. No application of IFRS 16 to leases that were previously assessed not to contain a lease;
2. The accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term was not amended;
3. The use of hindsight in determining the lease term where the contract contains options to extend or terminate was not applied; and
4. Lease components were separated from non-lease components and account for each separately.

JUDGEMENTS AND ESTIMATES APPLIED IN IMPLEMENTING IFRS 16

Lease term

The lease term is the non-cancellable period of the lease plus any optional renewal period less any optional early terminations where it is reasonably certain that the options will be exercised. The lease term was determined considering these options, where applicable, and involves judgement to determine whether the options will be exercised on a lease-by-lease basis. The following factors were considered in determining whether it is reasonably certain the options will be exercised, thus whether there is an economic incentive to exercise:

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

19. CHANGES IN ACCOUNTING POLICIES continued

1. The strategic objectives of the business and annual business plans that observes a 5-year cycle;
2. Whether the terms and conditions of the current lease are more favourable than the current market conditions;
3. The proximity of the leased premises to core customers and other business hubs;
4. Specifics for the premises/assets leased and any leasehold improvements, such as workshops or office building, undertaken by the Group optimised to business needs;
5. Costs relating to the termination of the lease;
6. The availability of similar/alternative assets in the market suitable to the business needs; and
7. All relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

Incremental borrowing rate (IBR)

The Group engaged an external service provider to determine the IBRs which were distributed to and used by all divisions except for Barloworld Transport for leases of trucks and trailers as the IBRs could be determined from the contracts. The following judgements and estimates were applied in determining IBRs for Barloworld Transport:

1. The purchase price of the assets is known from the invoice/contract;
2. The lessors specify the residual value of the assets at the end of the lease period;
3. The leases are secured by the asset and there are separate contracts for each truck and trailer;
4. The present value, number of payments and actual payments are specified in the contracts; and
5. The contracts have no option for extensions and no escalations.

The recognised right-of-use assets relate to the following categories of property, plant and equipment:

R million	2020	2019
Land and buildings	1 324	1 295
Equipment, IT and plant	7	11
Vehicles	280	424
Total right-of-use assets	1 611	1 730

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

19. CHANGES IN ACCOUNTING POLICIES continued

The impact of first time adoption of IFRS 16 for the 12 month ended 30 September is as follows:

	Right-of-use asset	Right-of-use liabilities	Deferred tax	Retained earnings	Lease smoothing liability
Capitalisation of operating leases on 1 October 2019	1 730	2 302	78	281	213
Additions	286				
Impairment losses	(37)				
Lease liabilities raised		295			
Lease liabilities repaid		(342)			
Depreciation	(402)				
Lease modifications		(10)			
Reclassifications and lease retirements	8	67			
Foreign currency exchange movements	26	16			
Balance as at 30 September 2020	1 611	2 328			
Current		351			
Non-current		1 978			

Reconciliation of operating lease commitments disclosed as at 30 September 2019 to the right-of-use liabilities recognised as at 1 October 2019:

R million	Total	Held for sale	1 October 2019
Operating lease commitments on 30 September 2019	3 273	43	3 230
Impact of discounting lease payments *	(1 082)	(21)	(1 061)
Renewals/new leases not included in lease commitments	882	12	870
Short-term leases included in lease commitments	(779)	(1)	(778)
Forex impact	8		8
Right-of-use liability at 1 October 2019	2 302	33	2 269
Current	285	5	280
Non-current	2 017	28	1 989

* The weighted average incremental borrowing rate used to measure the right-of-use liabilities on 1 October 2019 was 14.89%.

New standards and amendments to existing standards issued but not yet effective as at 30 September 2020 are not expected to have a material impact on the Group's financial statements when they become effective.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

19. CHANGES IN ACCOUNTING POLICIES continued

IFRS 17 will be effective for Barloworld for the first time in the year ending 30 September 2023.

The following new and amended standards are expected to have no or minimal impact on presentation, recognition and measurement in future years:

R million	Effective date*
Definition of a Business — Amendments to IFRS 3	1 January 2020
Interest Rate Benchmark Reform — Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020
Definition of Material — Amendments to IAS 1 and IAS 8	1 January 2020
The Conceptual Framework for Financial Reporting	1 January 2020
COVID-19-Related Rent Concessions — Amendment to IFRS 16	1 June 2020
Interest Rate Benchmark Reform — Phase 2 — Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021
Reference to the Conceptual Framework — Amendments to IFRS 3	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use — Amendments to IAS 16	1 January 2022
Onerous Contracts — Costs of Fulfilling a Contract — Amendments to IAS 37	1 January 2022
AIP IFRS 1 First-time Adoption of International Financial Reporting Standards — Subsidiary as a first-time adopter	1 January 2022
AIP IFRS 9 Financial Instruments — Fees in the '10 percent' test for derecognition of financial liabilities	1 January 2022
AIP IAS 41 Agriculture — Taxation in fair value measurements	1 January 2022
IFRS 17 Insurance Contracts	1 January 2023
Classification of Liabilities as Current or Non-current — Amendments to IAS 1	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture — Amendments to IFRS 10 and IAS 28	Effective date postponed

* Effective for annual periods beginning on or after this date.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

20. RE-PRESENTATIONS AND RESTATEMENTS

1. AVIS FLEET RE-PRESENTED TO CONTINUING OPERATIONS

As at 30 September 2019 Avis Fleet was disclosed as held-for-sale and a discontinued operation on the basis of management's firm intention to dilute Barloworld's interest in Avis Fleet to a 50% shareholding. Management have subsequently reconsidered this decision and concluded that this initiative will be placed on hold. This position will be re-assessed at the appropriate time and in the context of the Group's strategy and optimal portfolio mix. Going forward Avis Fleet will be re-presented as part of continuing operations. The impact of the decision has resulted in the income statement and balance sheet being restated to include Avis Fleet as part of continuing operations per below:

2. INVENTORIES AND FLOOR PLAN PAYABLES RESTATEMENT

Management omitted to raise inventory in transit, and the related floor plan facility, resulting in an understatement for the 2020 interim period, the 2019 financial year and 2018 financial year. The purchase agreement states that control of the inventory passes on delivery to the carrier or the dealer, whichever occurs first, whereas previously the inventory, and related floor plan liability, was recorded only on receipt by the dealer on the basis that this was how the agreement was understood.

The agreement has been in place since 2015, but as required by IFRS only those financial periods affected in the current set of financial statements are restated. Accordingly the 2019 Balance Sheet has been restated to take into account the impact, as has the interim Balance Sheet for March 2020. The 30 September 2018 Balance Sheet could not be restated as sufficient records were not available internally to do so. Furthermore, the third party carrier and the financier do not retain the information required for a period longer than 24 months, making it impractical to determine the inventory balance, nor the floor plan liability which should have been recorded at 30 September 2018.

These errors had no impact on profit or loss (on the basis that interest on the floor plan liability was recorded previously) nor any tax effect.

3. ECLASSIFICATION OF TRADE AND OTHER PAYABLES AND NON-CURRENT LIABILITIES TO CONTRACT LIABILITIES RESTATEMENT

Management has reviewed the current presentation of the Deferred Income Maintenance Contracts in context to IFRS 15 adoption. The 2019 full year and 2020 March presentation was incorrect. This means there was an error in the presentation of these values for the 2019 and 2020 reporting. The correct treatment is to present the Deferred Income Maintenance Contracts as Contract Liability, split between non-current and current.

The "insurance contract" note from the prior period has also been removed as all of these maintenance contracts are accounted for under IFRS 15 and have been accounted for as such since IFRS 15 was adopted by the entity. This note should have been removed in 2019, it however does not impact any balances and is purely disclosure that should have been removed.

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FOR THE YEAR ENDED 30 SEPTEMBER

20. RE-PRESENTATIONS AND RESTATEMENTS continued

CONSOLIDATED INCOME STATEMENT AT 30 SEPTEMBER 2019

R million	Previously stated	Avis fleet reclassified to continuing operations	Restated
Revenue	56 834	3 372	60 206
Operating profit before items listed below	5 078	1 469	6 547
Impairment losses on financial assets and contract assets	(57)	(18)	(75)
Depreciation	(1 561)	(826)	(2 387)
Amortisation of intangible assets	(115)		(115)
Operating profit before B-BBEE transaction charge	3 345	625	3 970
B-BBEE transaction charge	(73)		(73)
Operating profit	3 272	625	3 897
Fair value adjustments on financial instruments	32	(10)	22
Finance costs	(1 085)	(49)	(1 134)
Income from investments	192	11	203
Profit before non-operating and capital items	2 411	577	2 988
Non-operating and capital items comprising of:			
Impairment of investments	(25)		(25)
Impairment of goodwill			
Impairment of indefinite life intangible assets			
Impairment of property, plant and equipment, intangibles and other assets	(115)	(12)	(127)
Fair value gain on deconsolidation of subsidiary	212		212
Other non-operating and capital items	15		15
Profit before taxation	2 498	565	3 063
Taxation	(771)	(79)	(850)
Profit after taxation	1 727	486	2 213
Income from associates and joint ventures	231		231
Profit for the year from continuing operations	1 958	486	2 444

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

20. RE-PRESENTATIONS AND RESTATEMENTS continued

R million	Previously stated	Avis fleet reclassified to continuing operations	Restated
DISCONTINUED OPERATIONS			
Profit from discontinued operations	519	(486)	33
Profit for the year	2 477		2 477
Attributable to:			
Owners of Barloworld Limited	2 428		2 428
Non-controlling interests in subsidiaries	49		49
	2 477		2 477
Earnings per share from group (cents)			
— basic	1 150.2		1 150.2
— diluted	1 146.9		1 146.9
Earnings per share from continuing operations (cents)			
— basic	907.2	227.4	1 134.6
— diluted	904.6	226.7	1 131.3
Earnings per share from discontinued operation (cents)			
— basic	243.0	(227.4)	15.6
— diluted	242.3	(226.7)	15.6
Weighted average number of ordinary shares in issue during the period (000)			
— basic	211 085		211 085
— diluted	211 698		211 698

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

20. RE-PRESENTATIONS AND RESTATEMENTS continued

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2019

R million	Previously stated	Avis fleet reclassified to continuing operations	Inventories and floor plan payables	Classification of trade and other payables and non-current liabilities to contract liabilities	Restated
ASSETS					
Non-current assets	14 540	4 666			19 206
Property, plant and equipment	7 879	4 183			12 062
Goodwill	1 408	292			1 700
Intangible assets	1 527	31			1 558
Investment in associates and joint ventures	2 253				2 253
Finance lease receivables	2	155			157
Long-term financial assets	710				710
Deferred taxation assets	761	5			766
Current assets	26 871	787	197		27 855
Vehicle rental fleet	3 137				3 137
Inventories	8 072	59	197		8 328
Trade and other receivables	7 384	668			8 052
Contract assets	981				981
Taxation	71	12			83
Cash and cash equivalents	7 226	48			7 274
Assets classified as held-for-sale	5 780	(5 453)			327
Total assets	47 191		197		47 388

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

20. RE-PRESENTATIONS AND RESTATEMENTS continued

R million	Previously stated	Avis fleet reclassified to continuing operations	Inventories and floor plan payables	Classification of trade and other payables and non-current liabilities to contract liabilities	Restated
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital and premium	441				441
Other reserves	4 523				4 523
Retained income	18 659				18 659
Interest of shareholders of Barloworld Limited	23 623				23 623
Non-controlling interest	272				272
Interest of all shareholders	23 895				23 895
Non-current liabilities	7 336	594			7 930
Interest-bearing	4 621				4 621
Provisions and other accruals	356	216			572
Provisions	102	21			123
Contract liabilities		16		351	367
Other non-current liabilities	2 257	341		(351)	2 247
Current liabilities	13 738	1 550	197		15 485
Trade and other payables	9 363	878	197	(259)	10 179
Contract liabilities	601	10		259	870
Provisions and other accruals	507	94			601
Taxation	80	7			87
Amounts due to bankers and short-term loans	3 187	561			3 748
Liabilities directly associated with assets classified as held-for-sale	2 222	(2 144)			78
Total equity and liabilities	47 191		197		47 388

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

20. RE-PRESENTATIONS AND RESTATEMENTS continued

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 MARCH 2020

R million	Previously stated	Inventories and floor plan payables	Restated
ASSETS			
Non-current assets	14 996		14 996
Property, plant and equipment	8 415		8 415
Goodwill	1 769		1 769
Intangible assets	770		770
Investment in associates and joint ventures	863		863
Finance lease receivables	1 876		1 876
Long-term financial assets	11		11
Contract asset	398		398
Deferred taxation assets	894		894
Current assets	26 525	220	26 745
Vehicle rental fleet	3 306		3 306
Inventories	8 925	220	9 145
Trade and other receivables	8 736		8 736
Contract assets	949		949
Taxation	31		31
Cash and cash equivalents	4 578		4 578
Assets classified as held-for-sale	5 606		5 606
Total assets	47 127	220	47 347

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

20. RE-PRESENTATIONS AND RESTATEMENTS continued

R million	Previously stated	Inventories and floor plan payables	Restated
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	(1 121)		(1 121)
Other reserves	6 268		6 268
Retained income	15 915		15 915
Interest of shareholders of Barloworld Limited	21 062		21 062
Non-controlling interest	253		253
Interest of all shareholders	21 315		21 315
Non-current liabilities	9 300		9 300
Interest-bearing	5 018		5 018
Deferred taxation liabilities	516		518
Lease liabilities	2 073		2 073
Provisions and other accruals	103		103
Other non-current liabilities	1 590		1 590
Current liabilities	14 214	220	14 434
Trade and other payables	8 333	220	8 553
Lease liabilities	272		272
Contract liabilities	894		894
Provisions and other accruals	426		426
Taxation	71		71
Amounts due to bankers and short-term loans	4 218		4 218
Liabilities directly associated with assets classified as held-for-sale	2 298		2 298
Total equity and liabilities	47 127	220	47 347

The following restatements arose as a result of errors occurring when reporting and presenting the year end financial results for the period ended 30 September 2019:

1. PRESENTATION OF CASH FLOWS

The error occurred when applying IAS 7 Statement of Cash Flows (IAS 7). IAS 7 requires cash flows for major classes of gross cash receipts and gross cash payments to be reported separately. The cash flow line item 'Acquisition of subsidiaries, investments and intangibles' as at 30 September 2019 was erroneously included cash inflows and outflows as a single net balance (3a). Further, it was identified that the line item 'Investment in leasing receivables' was erroneously classified as an investing activity when the nature of these cash flows is better reflected as an operating cash flow (3b). These errors have been corrected for all periods presented in the 30 September 2019 year ended financial statements as follows:

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

20. RE-PRESENTATIONS AND RESTATEMENTS continued

R million	30 September 2019		
	As previously presented	Restatements	Restated
Cash flows from operating activities			
Cash generated from operations before investment in rental fleets and leasing receivables	7 239		7 239
Inflow of investment in leasing receivables		161	161
Cash generated from operations	7 239	161	7 400
Net cash used in investing activities			
Acquisition of subsidiaries, investments and intangibles (3a)	(54)	(114)	(168)
Investments realised (3a)		114	114
Inflow of investment in leasing receivables (3b)	161	(161)	
Net cash used in investing activities	(486)	(161)	(647)

The following restatement arose as a result of errors occurring when reporting and presenting the consolidated annual financial statements for the period ended 30 September 2019:

2. CLASSIFICATION OF THE EXPECTED CREDIT LOSS (ECL)

This error occurred when applying IAS 1 Presentation of Financial Statements for the presentation of ECL in the consolidated income statement for the period ended 30 September 2019. IAS 1 requires in paragraph 82(ba) that impairment losses (including reversals of impairment losses or impairment gain) determined in accordance with IFRS 9 section 5.5 are separately presented. However, there were reversals of impairment losses on financial assets and contract assets incorrectly presented in earnings before interest tax depreciation and amortisation (EBITDA) instead of reducing the impairment losses of financial assets and contract assets. This error has been corrected by restating the consolidated income statement as follows:

R million	Presented as at 30 September 2019	Reclassifications	Reclassified as at 30 September 2019
Income statement — continued operations			
Impairment of financial assets and contract assets	(124)	67	(57)
Operating profit before items listed below	5 145	(67)	5 078
Income statement — discontinued operations			
Impairment of financial assets and contract assets	(49)	31	(18)
Operating profit before items listed below	1 500	(31)	1 469

Due to Avis fleet not being presented as a discontinued operation the restated impact noted above is as follows:

R million	Presented as at 30 September 2019	Reclassifications	Reclassified as at 30 September 2019
Income statement — continued operations			
Impairment of financial assets and contract assets	(173)	98	(75)
Operating profit before items listed below	6 645	(98)	6 547
Changes to comparative information			

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

21. ACQUISITIONS

21.1 Effective 1 September 2020, Barloworld Mongolia Limited, an indirect wholly owned subsidiary of Barloworld Limited, was awarded the Caterpillar distribution rights for Mongolia and acquired 100% of Wagner Asia Equipment LLC and a 49% share in SGMS LLC. Our Caterpillar business in Mongolia is engaged in the business of selling and distributing construction and mining equipment, aftermarket and technology solutions as well as rental solutions under the Caterpillar brand. This will enhance the expansion of the Barloworld Group in the mineral rich Eurasia region.

The goodwill, intangible and tangible asset values represented are provisional, as this acquisition was completed close to the Group's reporting date.

R million	1 September 2020
Initial provisional settlement	2 822
Premium of US\$45 million	755
Estimated fair value of Net Assets (NAV)	428
Trade Payables owed to Sellers	1 136
Escrow account — covering balance of Trade Payables owed to Sellers	502
Contingent deferred consideration	151
Fair value of True-up payment amount	67
Fair value of the Earn-out payment	84
Cash flow hedge unwind	65
	3 038

The transaction is subject to the acquisition of 49% of ordinary shares in SGMS LLC as well as 80% of preference share in SGMS, which together effectively gives Barloworld 90% economic interest in and control of SGMS because the preference share in SGMS have the same rights as the ordinary shares, resulting in a non-controlling interest (NCI) to the extent of 10%. The purchase of SGMS is negligible/immaterial to the whole transaction and therefore they are not split for business combination accounting purposes. NCI is measured by applying the percentage holding of the NCI to the net asset value acquired.

* The consideration transferred (the "Price" per sales purchase agreement) is made up of upfront payment of R2.8 billion (\$168.1 million) as set out above, which per the sales purchase agreement (SPA), was paid on 1 September 2020, the effective date of the transaction. This settlement was paid from excess cash resources. A contingent consideration of R151.1 million (\$9 million) was raised, arising from an earn-out per clause 2.1 in a third SPA amendment as well as further provisional true-up adjustments to the initial net asset value.

^ The earn-out per schedule 21 clause 11(c) is considered to be an upward adjustment of the amount of the Price for all purposes under the SPA, therefore, a liability is created and included in the consideration transferred as a contingent deferred consideration. The contingent deferred consideration was measured at fair value on 1 September 2020 and is subsequently remeasured based on revenue targets from 1 October 2020 to 30 September 2024 with changes to be recognised in profit or loss and included in headline earnings.

The minimum and maximum amount payable for the settlement of the contingent deferred earn-out consideration are US\$nil and US\$30 million respectively.

The purchase consideration is settled in USD whereas the functional and presentation currency of the acquirer is Pound Sterling (GBP). This exposed the acquirer to foreign exchange risk that was hedged using existing USD denominated cash deposit (hedging instrument) designated from 17 March 2020 to 30 June 2020 as a cash flow hedge where the cash flow reserve is applied to the cost of the investment (hedged item) per the Group policy as a basis adjustment. The hedge was fully effective as the same amount of USD was used to hedge the same amount of the purchase consideration. Therefore, the cash flow reserve of R65 million up to 30 June 2020 was added to the purchase consideration.

Acquisition-related costs to the value of R44 million (£2.2 million) were incurred, excluded from consideration transferred and recognised as an expense in profit or loss.

There is no specific provision in the tax law regarding the deductibility of goodwill.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

21. ACQUISITIONS continued

IDENTIFIABLE ASSETS AND LIABILITIES ACQUIRED ON 1 SEPTEMBER 2020

R million	2020
Non-current assets	1 324
Property, plant and equipment	543
Supplier relationship [^]	773
Intangible assets	8
Current assets	1 857
Trade and other receivables ^{**}	377
Inventory	1 318
Cash and cash equivalents	162
Total assets	3 181
Non-current liabilities	204
Provisions	11
Deferred tax	193
Current liabilities	259
Trade and other payables	259
Total liabilities	463
Net asset	2 718
Property, plant and equipment is made up as follows:	
Land and buildings	249
Plant and equipment	95
Rental assets	174
Vehicles and aircraft	25
	543

[^] **Supplier relationships**

Intangible asset comprise of the Supplier relationship with Caterpillar representing the distribution rights for Mongolia. This will be amortised over the remaining useful life of 20 years. This is the only intangible asset which meets the IFRS recognition criteria.

^{**} **Trade and other receivables**

The receivables acquired (which primarily comprised trade receivables) in this transaction with a fair value of R377 million had a gross contractual amounts of R673 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected are R296 million.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

21. ACQUISITIONS continued

R million	2020
Excess of consideration transferred over net asset acquired	
Consideration transferred	3 038
Non-controlling interest	8
Less: Value of identifiable assets and liabilities	(2 718)
Goodwill	328
Net cash flows on acquisition of Wagner	
Consideration paid in cash	2 822
Less: cash and cash equivalents acquired	(162)
	2 660

Goodwill represents synergies whereby Barloworld expects to leverage core competencies within its existing businesses in Russia which will create additional value.

The goodwill will be accounted for in terms of the Group policy where it will be tested for impairment annually with impairment losses recognised in profit or loss but excluded from headline earnings.

R million	2020
Impact of acquisition on the results of the Group post acquisition, 1 September 2020	
Revenue	190
Operating profit	4
Impact of acquisition on the results of the Group since 1 October 2019	
Revenue	2 088
Operating profit	150

21.2 Barloworld Limited ("Barloworld") entered into a Sale and Purchase Agreement ("SPA") with Tongaat Hullet Limited on 28 February 2020 to acquire 100% ownership interest in Tongaat Hullet Starch ("Ingrain"). The transaction was completed on 31 October 2020, being the transaction effective date. This purchase is done through Barloworld's wholly owned subsidiary, KLL Group (Proprietary) Limited, which will hold the shares in Ingrain.

Ingrain is Africa's largest producer of starch, glucose and related products, and produces a wide range of high quality products for customers across Africa and around the World using maize as raw material.

Barloworld acquired Ingrain, being a different business to its existing business portfolio, to balance out the seasonality of its existing business to deliver a consistent return to shareholder.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

21. ACQUISITIONS continued

R million	30 Sep 2020
Consideration transferred ¹	
Initial price	4 536
Cash price	4 536
Contingent consideration ²	450
	4 986

- 1 The consideration transferred (the "Purchase Consideration" as per the Sale and Purchase Agreement (SPA)) is made up of the initial amount of R4.536 billion, payable at the effective date in cash, and the adjustment payment payable when the closing stocktake has been completed after the closing date. The adjustment payment is a contingent consideration in nature as it adjusts the purchase consideration up or down and is dealt with below.

Acquisition-related costs to the value of R53 million were incurred, excluded from consideration transferred and recognised as an expense in profit or loss.

- 2 The contingent consideration of R450 million arises from the adjustment payment which will adjust the purchase consideration when finalised based on stock valuations. This has been added as one of the pre-closing activities, being a closing stock take as well as valuation thereof, and is not completed at closing date. This may result in either party having to pay another the difference between the initial amount paid on the closing/effective date of the transaction and the confirmed purchase consideration due to finalised stock take. It is expected that the stock take should be completed just after the closing date, within 15 business days after the closing date. The R450 million was arrived at using an estimate of the September 2020 working capital carrying values.

The contingent consideration was measured at fair value on 31 October 2020 based on the current stock values and will be subsequently remeasured at fair value based on the finalised stock values. Due to the short turnaround of the valuation since the closing date to finalisation of the stock count and valuation, the fair value of the contingent consideration approximate the amount of the purchase consideration agreed. This is a measurement period adjustment, the business combination accounting is incomplete, and the amounts reported on 31 October 2020 are provisional.

When the stock values are finalised, the business accounting combination accounting on 31 October 2020 will be adjusted retrospectively to reflect the new information obtained about the facts and circumstances that existed as of 31 October 2020.

The adjustments to the purchase consideration as a result of changes in the value of the contingent consideration, will be accounted for against goodwill. The range of possible outcomes is not expected to be materially different from the R450 million.

There is no minimum and maximum for the adjustment payment amount.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

21. ACQUISITIONS continued

ASSETS ACQUIRED AND LIABILITIES ASSUMED ON 30 SEPTEMBER 2020

R million	30 Sep 2020
Non-current assets	2 205
Carrying amount of property, plant and equipment ³	709
Fair value of land and buildings ⁴	366
Carrying amounts of right-of-use assets	21
Carrying amount of other intangible assets	38
Fair value of intangible assets ⁵	1 071
Current assets	1 616
Carrying amount of trade and other receivables ⁶	709
Derivative financial instruments	15
Carrying amount of inventory	878
Current tax	14
Total assets	3 821
Non-current liabilities	191
Carrying amount of provisions	8
Carrying amount of right-of-use liability	17
Deferred tax	166
Current liabilities	1 180
Carrying amount of trade and other payables	455
Carrying amount of right-of-use liability	6
Carrying amount of borrowings	715
Current tax	4
Total liabilities	1 371
Net asset	2 450
³Property, plant and equipment is made up as follows:	
Transport and vehicles	1
Plant and machinery	632
Office equipment	1
Other fixed assets	36
Capital work in progress	39
	709
⁴Land and buildings comprises of the following properties hosting the Mills:	
Bellville Mill	88
Germiston Mill	72
Kliprivier Mill	64
Meyerton Mill	142
	366

⁵Intangible assets:

Intangible asset comprise of Customer relationships may arise from non-contractual customer relationships, which represent loyal customers that will continue their relationship after the acquisition by a market participant. This is the only intangible asset, which meets the IFRS recognition criteria.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

21. ACQUISITIONS continued

⁶The receivables acquired (which primarily comprised trade receivables) in this transaction with a carrying value of R709 million had a gross contractual amounts of R713 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected are R4 million. The fair value of the receivables is still to be determined and finalised during the measurement period.

R million	30 Sep 2020
Excess of consideration transferred over net asset acquired	
Consideration transferred	4 986
Less: Fair value of identifiable assets and liabilities	(2 450)
⁷Goodwill	2 536
Net cash flows on acquisition	4 986
Consideration paid in cash	4 986

⁷ Goodwill represents synergies/improvements whereby Barloworld expects that through product development and specialisation (into modified starches) it will be able to create immediate margin uplift and optimise the product mix, whilst the ability to leverage Barloworld's core competencies in distribution within its existing businesses will create additional value. Goodwill will be accounted for in terms of the Group policy where it will be tested for impairment annually with impairment losses recognised in profit or loss but excluded from headline earnings. Goodwill is not tax deductible.

It should be noted that the values used for the business combination accounting above are as at 30 September 2020 because the purchase price allocation is not yet completed as at 31 October 2020 as some assets and liabilities still need to be fair valued. This has not been completed because the acquisition date is very close to the date the Group financial statements are issued. When the business combination accounting is completed, which should be done by 30 October 2021 per IFRS 3 measurement period, the values allocated to assets and liabilities would be updated with any resulting adjustments accounted for against goodwill.

22. EVENTS AFTER THE REPORTING PERIOD

UPDATE ON BARLOWORLD'S PROPOSED ACQUISITION OF TONGAAT HULETT STARCH

Refer to note 21 regarding the progress of the Tongaat Hulett Starch acquisitions.

COVID-19 CRISIS UPDATE

The impact of COVID-19 has been considered up to 30 September 2020. Subsequent to year end there have been no significant changes in the COVID-19 restrictions impacting our businesses and thus no subsequent events related to the COVID-19 crisis have occurred. In the automotive businesses the Rental volumes have been severely impacted by Covid-19 and the resultant lockdown. Airport traffic is critical to Car Rental and the current restrictions continue to impact the business. The key countries driving inbound tourism to South Africa are thus excluded from travelling to South Africa and this is severely impacting the business. This resulted in being over fledged from March 2020, and post lockdown the business has managed to reduce the fleet significantly with used vehicle sales a lot stronger than originally anticipated, both from a volume and margin perspective. At September 2020, the business has brought the fleet back in line with business requirements and will have to start procuring fleet to maintain service levels and demand. The rate per day was impacted by a change in business mix as monthly and replacement increased proportionally compared to other segments. Average utilisation for the period is 61.3% (prior year: 76.1%) on an average fleet of 24 097 vehicles (8.4% lower than last year's 26 305). The lockdown affected utilisation and the business has been right sizing its fleet to adapt to the declined volumes. This has been a tough process and the fleet in October is in line with demand. We expect the utilisation levels to return to normality in 2021. The austerity measures

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

22. EVENTS AFTER THE REPORTING PERIOD continued

and cost saving initiatives already implemented by the group have yielded significant cost savings of approximately R402 million during this financial year and are forecast to lower the overall cost base going forward. Most of our businesses have been severely affected by restrictions on trade as well as various lockdowns and the prospects of a quick recovery are low. In an effort to adjust to the requirements of trading in a significantly changed environment while positioning the business for a recovery, management and the board instituted group-wide retrenchments, in addition to the 12-month remuneration sacrifice plan implemented on 1 May 2020. Retrenchment processes have largely been completed with significant staff complement reductions at Automotive and Logistics, Equipment southern Africa and the Corporate Centre. The number of staff retrenched in this process was 2 644 out of a total staff complement of 15 396 at the end of 2019. Retrenchment costs of R289 million were incurred to September 2020 with the reduced staff levels.

The austerity measures and cost saving initiatives already implemented by the group have yielded significant cost savings of approximately R402 million during this financial year and are forecast to lower the overall cost base going forward. Most of our businesses have been severely affected by restrictions on trade as well as various lockdowns and the prospects of a quick recovery are low. In an effort to adjust to the requirements of trading in a significantly changed environment while positioning the business for a recovery, management and the board instituted group-wide retrenchments, in addition to the 12-month remuneration sacrifice plan implemented on 1 May 2020. Retrenchment processes have largely been completed with significant staff complement reductions at Automotive and Logistics, Equipment southern Africa and the Corporate Centre. The number of staff retrenched in this process was 2644 out of a total staff complement of 15 396 at the end of 2019. Retrenchment costs of R289 million were incurred to September 2020 with the reduced staff levels.

The lockdown affected utilisation and the business has been right sizing its fleet to adapt to the declined volumes. This has been a tough process and the fleet in October is in line with demand. We expect the utilisation levels to return to normality in 2021. The austerity measures and cost saving initiatives already implemented by the Group have yielded significant cost savings of approximately R691 million during this financial year as a result of salary sacrifices, travel expenses, operating lease savings and other measures applied in the business and are forecast to lower the overall cost base going forward. Capex expenditure of R597 million was also reduced. Most of our businesses have been severely affected by restrictions on trade as well as various lockdowns and the prospects of a quick recovery are low. In an effort to adjust to the requirements of trading in a significantly changed environment while positioning the business for a recovery, management and the board instituted group-wide retrenchments, in addition to the 12-month remuneration sacrifice plan implemented on 1 May 2020. Retrenchment processes have largely been completed with significant staff complement reductions at Automotive and Logistics, Equipment southern Africa and the Corporate Centre. The number of staff retrenched in this process was 2 644 out of a total staff complement of 15 396 at the end of 2019. Retrenchment costs of R289 million were incurred to September 2020 with the reduced staff levels expected to contribute ongoing savings of approximately R402 million in the Group.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

23. SEGMENTAL SUMMARY

R million	Continuing operations			
	Consolidated		Eliminations	
	2020	2019	2020	2019
Operating segments**				
Revenue				
Southern Africa	42 143	53 916		
Europe®		105		
Eurasia	7 540	6 185		
	49 683	60 206		
Inter-segment revenue***			(2 871)	(3 257)
	49 683	60 206	(2 871)	(3 078)
EBITDA	4 830	6 472		
Depreciation excluding the following:	(2 455)	(2 387)		
Depreciation — Khula Sizwe Rentals	(206)			
Amortisation of intangibles	(136)	(115)		
Operating profit/(loss)	2 033	3 970		
Southern Africa	1 314	3 400		
Europe®	(115)	(149)		
Eurasia	834	719		
Operating profit before B-BBEE transaction charge	2 033	3 970		
B-BBEE transaction charge	(236)	(73)		
Fair value adjustments financial instruments	(340)	22		
Total segment result	1 457	3 919		
By geographical region				
Southern Africa	839	3 217		
Europe®	(284)	(9)		
Eurasia	902	712		
Total segment result	1 457	3 919		
Income from associates and joint ventures	(48)	231		
Finance costs excluding the following:	(1 131)	(1 134)		
Finance costs — Khula Sizwe Rentals	(143)			
Income from investments	155	203		
Non-operating and capital items	(1 900)	75		
Taxation	(889)	(850)		
Profit from discontinued operation		33		
Net profit	(2 499)	2 477		

** The geographical segments are determined by the location of assets. *** Inter-segment revenue is priced on an arm's-length basis.

@ Including Middle East for 2019.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

23. SEGMENTAL SUMMARY continued

R million	Continuing operations	
	Consolidated	
	2020	2019
Assets		
Property, plant and equipment	12 240	12 062
Right of use assets	1 611	
Intangible assets	1 632	1 558
Investment in associates and joint ventures	2 148	2 253
Long-term finance lease receivables	187	157
Long-term financial assets	287	710
Vehicle rental fleet	1 889	3 137
Inventories	10 170	8 328
Trade and other receivables	7 916	8 052
Contract assets	514	981
Assets classified as held-for-sale	29	327
Segment assets	38 623	37 565
By geographical region		
Southern Africa	30 751	32 949
Europe®	160	210
Eurasia	7 712	4 406
Total segment assets	38 623	37 565
Goodwill	1 352	1 700
Taxation	147	83
Deferred taxation assets	1 014	766
Cash and cash equivalents	6 743	7 274
Consolidated total assets	47 879	47 388
Liabilities		
Long-term non-interest bearing including provisions	2 135	2 370
Trade and other payables including provisions	11 718	10 780
Lease liabilities	2 328	
Contract liabilities	1 708	1 237
Liabilities directly associated with assets classified as held-for-sale		78
Segment liabilities	17 889	14 465
By geographical region		
Southern Africa	13 253	10 917
Europe®	2 151	2 312
Eurasia	2 485	1 236
Segment liabilities	17 889	14 465
Interest-bearing liabilities (excluding held-for-sale amounts)	9 395	8 369
Current and non current lease liabilities		
Deferred taxation liabilities	806	572
Taxation	38	87
Consolidated total liabilities	28 128	23 493

@ Including Middle East for 2019.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

23. SEGMENTAL SUMMARY continued

R million	Continuing operations			
	Equipment and Handling			
	Equipment		Handling	
	2020	2019	2020	2019
Operating segments**				
Revenue				
Southern Africa	17 592	20 434		28
Europe®				
Eurasia	7 540	6 185		
	25 132	26 619		28
Inter-segment revenue***	1 943	2 276		
	27 075	28 895		28
EBITDA	2 879	3 277	(5)	4
Depreciation excluding the following:	(669)	(683)		
Depreciation — Khula Sizwe Rentals	(95)			
Amortisation of intangibles	(57)	(39)		
Operating profit/(loss)	2 058	2 555	(5)	4
Southern Africa	1 224	1 836	(5)	4
Europe®				
Eurasia	834	719		
Operating profit before B-BBEE transaction charge	2 058	2 555	(5)	4
B-BBEE transaction charge	(33)			
Fair value adjustments financial instruments	(141)	(108)		1
Total segment result	1 884	2 447	(5)	5
By geographical region				
Southern Africa	982	1 735	(5)	5
Europe®				
Eurasia	902	712		
Total segment result	1 884	2 447	(5)	5
Income from associates and joint ventures	(38)	250	(58)	(24)
Finance costs excluding the following:	(439)	(536)		(2)
Finance costs — Khula Sizwe Rentals	(63)			
Income from investments	175	215	1	2
Non-operating and capital items	(898)		(168)	(16)
Taxation	(769)	(601)	1	(3)
Profit from discontinued operation				
Net profit	(148)	1 775	(229)	(38)

** The geographical segments are determined by the location of assets. *** Inter-segment revenue is priced on an arm's-length basis.
 @ Including Middle East for 2019.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

23. SEGMENTAL SUMMARY continued

R million	Continuing operations			
	Equipment and Handling			
	Equipment		Handling	
	2020	2019	2020	2019
Assets				
Property, plant and equipment	4 869	4 392		
Right of use assets	206			
Intangible assets	1 424	1 283		
Investment in associates and joint ventures	1 387	1 299	17	266
Long-term finance lease receivables		2		
Long-term financial assets	113	464		
Vehicle rental fleet				
Inventories	7 895	5 967		
Trade and other receivables	5 643	5 382	22	22
Contract assets	466	900		
Assets classified as held-for-sale	29	70		
Segment assets	22 033	19 759	39	288
By geographical region				
Southern Africa	14 321	15 353	67	312
Europe®			(28)	(24)
Eurasia	7 712	4 406		
Total segment assets	22 033	19 759	39	288
Goodwill	564	270		
Taxation				
Deferred taxation assets				
Cash and cash equivalents				
Consolidated total assets				
Liabilities				
Long-term non-interest bearing including provisions	100	27		
Trade and other payables including provisions	7 543	4 626	5	24
Lease liabilities	237			
Contract liabilities	963	601		
Liabilities directly associated with assets classified as held-for-sale				
Segment liabilities	8 843	5 254	5	24
By geographical region				
Southern Africa	6 358	4 018	5	8
Europe®				16
Eurasia	2 485	1 236		
Segment liabilities	8 843	5 254	5	24

@ Including Middle East for 2019.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

23. SEGMENTAL SUMMARY continued

R million	Continuing operations			
	Automotive and Logistics			
	Motor retail [^]		Car rental Southern Africa	
	2020	2019	2020	2019
Operating segments**				
Revenue				
Southern Africa	12 595	18 736	5 123	6 271
Europe [@]				
Eurasia				
	12 595	18 736	5 123	6 271
Inter-segment revenue***	1	11	3	6
	12 596	18 747	5 126	6 277
EBITDA	251	640	636	1 219
Depreciation excluding the following:	(116)	(57)	(735)	(694)
Depreciation — Khula Sizwe Rentals	(89)		(16)	
Amortisation of intangibles	(26)	(22)	(2)	(2)
Operating profit/(loss)	20	561	(117)	523
Southern Africa	20	561	(117)	523
Europe [@]				
Eurasia				
Operating profit before B-BBEE transaction charge	20	561	(117)	523
B-BBEE transaction charge	(32)		(26)	
Fair value adjustments financial instruments	(2)	(2)	(1)	
Total segment result	(14)	559	(144)	523
By geographical region				
Southern Africa	(14)	559	(144)	523
Europe [@]				
Eurasia				
Total segment result	(14)	559	(144)	523
Income from associates and joint ventures	47	4	0	
Finance costs excluding the following:	(152)	(145)	(244)	(248)
Finance costs — Khula Sizwe Rentals	(62)		(13)	
Income from investments	2	13	1	5
Non-operating and capital items	79	103	(654)	(39)
Taxation	148	(100)	141	(50)
Profit from discontinued operation				
Net profit	48	434	(913)	191

** The geographical segments are determined by the location of assets. *** Inter-segment revenue is priced on an arm's-length basis.
 @ Including Middle East for 2020. ^ Effective 1 September 2019 the result of NMI Durban South Motors (Pty) Ltd (NMI) has been equity accounted. Motor retail segment included in 2019 representing the 11 months of NMI as a Barloworld controlled subsidiary. NMI's revenue and operating profit reported in 2019 for comparative purposes was R3 887 million and R125 million respectively.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

23. SEGMENTAL SUMMARY continued

R million	Continuing operations			
	Automotive and Logistics			
	Motor retail [^]		Car rental Southern Africa	
	2020	2019	2020	2019
Assets				
Property, plant and equipment	515	1 199	137	389
Right of use assets	749		170	
Intangible assets	87	111	9	11
Investment in associates and joint ventures	704	654		
Long-term finance lease receivables				
Long-term financial assets	64	65		
Vehicle rental fleet			1 889	3 137
Inventories	1 713	1 897	438	400
Trade and other receivables	627	579	258	629
Contract assets				
Assets classified as held-for-sale				
Segment assets	4 459	4 505	2 901	4 566
By geographical region				
Southern Africa	4 459	4 505	2 901	4 566
Europe [@]				
Eurasia				
Total segment assets	4 459	4 505	2 901	4 566
Goodwill	215	215	176	793
Taxation				
Deferred taxation assets				
Cash and cash equivalents				
Consolidated total assets				
Liabilities				
Long-term non-interest bearing including provisions	6	84		22
Trade and other payables including provisions	2 349	2 558	643	2 108
Lease liabilities	1 053		290	
Contract liabilities				
Liabilities directly associated with assets classified as held-for-sale				
Segment liabilities	3 408	2 642	933	2 130
By geographical region				
Southern Africa	3 408	2 642	933	2 130
Europe [@]				
Eurasia				
Segment liabilities	3 408	2 642	933	2 130

@ Including Middle East for 2019. ^ Effective 1 September 2019 the result of NMI Durban South Motors (Pty) Ltd (NMI) has been equity accounted. Motor retail segment included in 2019 representing the 11 months of NMI as a Barloworld controlled subsidiary. NMI's revenue and operating profit reported in 2019 for comparative purposes was R3 887 million and R125 million respectively.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

23. SEGMENTAL SUMMARY continued

R million	Continuing operations			
	Automotive and Logistics			
	Leasing		Logistics	
	2020	2019	2020	2019
Operating segments**				
Revenue				
Southern Africa	3 046	3 372	3 785	5 074
Europe®				105
Eurasia				
	3 046	3 372	3 785	5 179
Inter-segment revenue***	154	179	328	376
	3 200	3 551	4 113	5 555
EBITDA	1 280	1 451	278	195
Depreciation excluding the following:	(832)	(826)	(346)	(109)
Depreciation — Khula Sizwe Rentals			(6)	
Amortisation of intangibles			(46)	(48)
Operating profit/(loss)	448	625	(120)	38
Southern Africa	448	625	(120)	31
Europe®				7
Eurasia				
Operating profit before B-BBEE transaction charge	448	625	(120)	38
B-BBEE transaction charge	(4)		(33)	
Fair value adjustments financial instruments	(10)	(9)	(3)	1
Total segment result	434	616	(156)	39
By geographical region				
Southern Africa	434	616	(156)	32
Europe®				7
Eurasia				
Total segment result	434	616	(156)	39
Income from associates and joint ventures	2			
Finance costs excluding the following:	(273)	(326)	(223)	(115)
Finance costs — Khula Sizwe Rentals			(5)	
Income from investments	2	10	16	2
Non-operating and capital items	(16)	(12)	(142)	(95)
Taxation	(40)	(79)	102	(12)
Profit from discontinued operation				
Net profit	109	209	(408)	(181)

** The geographical segments are determined by the location of assets. *** Inter-segment revenue is priced on an arm's-length basis.
 @ Including Middle East for 2019.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

23. SEGMENTAL SUMMARY continued

R million	Continuing operations			
	Automotive and Logistics			
	Leasing		Logistics	
	2020	2019	2020	2019
Assets				
Property, plant and equipment	3 675	4 225	780	871
Right of use assets	10		388	
Intangible assets	54	31	41	99
Investment in associates and joint ventures	3			
Long-term finance lease receivables	137	155	50	
Long-term financial assets			9	77
Vehicle rental fleet				
Inventories	90	59	38	36
Trade and other receivables	616	668	1 037	1 000
Contract assets			48	81
Assets classified as held-for-sale			(0)	166
Segment assets	4 585	5 136	2 391	2 330
By geographical region				
Southern Africa	4 585	5 136	2 391	2 280
Europe®				51
Eurasia				
Total segment assets	4 585	5 136	2 391	2 330
Goodwill	282	292	115	130
Taxation				
Deferred taxation assets				
Cash and cash equivalents				
Consolidated total assets				
Liabilities				
Long-term non-interest bearing including provisions	24	11	16	66
Trade and other payables including provisions	700	713	759	799
Lease liabilities	30		614	
Contract liabilities	745	636		
Liabilities directly associated with assets classified as held-for-sale				78
Segment liabilities	1 499	1 360	1 388	943
By geographical region				
Southern Africa	1 499	1 360	1 388	919
Europe®				24
Eurasia				
Segment liabilities	1 499	1 360	1 388	943

@ Including Middle East for 2019.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

23. SEGMENTAL SUMMARY continued

R million	Continuing operations			
	Corporate		Khula Sizwe	
	2020	2019	2020	2019
Operating segments **				
Revenue				
Southern Africa	2	1		
Europe®				
Eurasia				
	2	1		
Inter-segment revenue ***	442	409		
	444	410		
EBITDA	(449)	(314)	(40)	
Depreciation excluding the following:	36	(18)	207	
Depreciation — Khula Sizwe Rentals				
Amortisation of intangibles	(5)	(4)		
Operating profit/(loss)	(418)	(336)	167	
Southern Africa	(303)	(180)	167	
Europe®	(115)	(156)		
Eurasia				
Operating profit before B-BBEE transaction charge	(418)	(336)	167	
B-BBEE transaction charge	(24)	(73)	(85)	
Fair value adjustments financial instruments	(159)	140	(23)	
Total segment result	(601)	(269)	59	
By geographical region				
Southern Africa	(317)	(253)	59	
Europe®	(284)	(16)		
Eurasia				
Total segment result	(601)	(269)	59	
Income from associates and joint ventures	(1)	1		
Finance costs excluding the following:	145	238	56	
Finance costs — Khula Sizwe Rentals				
Income from investments	(49)	(47)	7	
Non-operating and capital items	140	134	(240)	
Taxation	(323)	(5)	(148)	
Profit from discontinued operation				
Net profit	(689)	54	(266)	

** The geographical segments are determined by the location of assets. *** Inter-segment revenue is priced on an arm's-length basis.
 @ Including Middle East for 2020.

Summarised preliminary notes to the consolidated financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER

23. SEGMENTAL SUMMARY continued

R million	Continuing operations			
	Corporate		Khula Sizwe	
	2020	2019	2020	2019
Assets				
Property, plant and equipment	261	986	2 002	
Right of use assets	87		1	
Intangible assets	16	23		
Investment in associates and joint ventures	37	34		
Long-term finance lease receivables				
Long-term financial assets	101	104		
Vehicle rental fleet	0			
Inventories	(4)	(31)		
Trade and other receivables	(294)	(228)	7	
Contract assets				
Assets classified as held-for-sale		93		
Segment assets	205	981	2 010	
By geographical region				
Southern Africa	17	798	2 010	
Europe®	188	183		
Eurasia				
Total segment assets	205	981	2 010	
Goodwill				
Taxation				
Deferred taxation assets				
Cash and cash equivalents				
Consolidated total assets				
Liabilities				
Long-term non-interest bearing including provisions	1 989	2 160		
Trade and other payables including provisions	(247)	(48)	(33)	
Lease liabilities	103		1	
Contract liabilities				
Liabilities directly associated with assets classified as held-for-sale				
Segment liabilities	1 845	2 112	(32)	
By geographical region				
Southern Africa	(306)	(160)	(32)	
Europe®	2 151	2 272		
Eurasia				
Segment liabilities	1 845	2 112	(32)	

@ Including Middle East for 2019.

Salient features

FOR THE YEAR ENDED 30 SEPTEMBER

R million	Audited	
	2020	Restated 2019
Financial		
Group normalised headline earnings per share — excluding B-BBEE charge and IFRS 16 (cents)	(30)	1 098
Group headline earnings per share — including B-BBEE charge and IFRS 16 (cents)	(268)	1 100
Group Return on invested capital (ROIC) (%) — excluding IFRS 16 **	0.6	11.9
Group Return on invested capital (ROIC) (%) — including IFRS 16 **	1.0	11.9
Economic profit — excluding IFRS 16	(3 037)	(323)
Economic profit — including IFRS 16	(3 037)	(323)
Free cash flow — excluding IFRS 16	230	3 064
Free cash flow — including IFRS 16	575	3 064
Dividends per share (cents)	Nil	462
Group operating margin — excluding B-BBEE (%) and excluding IFRS 16 *	3.8	6.6
Group operating margin — excluding B-BBEE (%) and including IFRS 16 *	4.1	6.6
Group rolling EBITDA/Interest paid (times) — excluding IFRS 16	4.7	5.7
Group rolling EBITDA/Interest paid (times) — Including IFRS 16	3.8	5.7
Group net debt/equity (%) — excluding IFRS 16	13.4	4.5
Group net debt/equity (%) — including IFRS 16	25.2	4.5
Group return on net operating assets (RONOA) (%) — excluding IFRS 16	8.6	18.7
Group return on net operating assets (RONOA) (%) — including IFRS 16	9.3	18.7
Group return on ordinary shareholders' funds (%) — excluding IFRS 16	(1.0)	10.6
Group return on ordinary shareholders' funds (%) — including IFRS 16	(1.5)	10.6
Net asset value per share (cents)	9 783	11 182
Number of ordinary shares in issue (000)	199 335	212 693
Natural capital*		
Non-renewable energy consumption (GJ) #	2 268 586	2 853 385
Greenhouse gas emissions (tCO ₂ e) ^Δ	193 546	245 881
Water withdrawals (municipal sources) (ML)	612	665
Human capital*		
Number of employees	12 824	15 396
Lost-time injury frequency rate (LTIFR) [†]	0.53	0.57
Number of work-related fatalities	2	1
Social and relationship capital		
Corporate social investment (R million)	16	19
dti B-BBEE rating (level) [^]	3	3

** Return on invested capital (ROIC) is calculated by a rolling 12-month net Group operating profit after tax over total equity, plus net debt and IFRS 16 lease liability. The difference between excluding IFRS 16 is the exclusion of the right of use depreciation, the lease liability interest, IFRS 16 lease liability and inclusion of the IAS 17 lease expense. The 31 March 2020 ROIC was also adjusted by the IFRS 5 impairment included in Avis fleet.

* Restated to include previously disclosed operations classified as held-for-sale (Avis Fleet Service).

‡ PwC conducted a review of selected sustainability information, in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, and ISAE 3410 Assurance Engagements on Greenhouse Gas Emissions Statements.

Excludes rental fleets.

Δ Scope 1 and 2.

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

^ Department of Trade and Industry (South Africa).

Salient features continued

FOR THE YEAR ENDED 30 SEPTEMBER

R million	Closing rate		Average rate	
	2020	2019	2020	2019
United States Dollar	16.68	15.16	16.27	14.31
British Sterling	21.56	18.68	20.86	18.27

Exchange rates used:

- Balance sheet — closing rate (rand).
- Income statement and cash flow statement — average rate (rand).

Operational segments

FOR THE YEAR ENDED 30 SEPTEMBER

EQUIPMENT AND HANDLING

R million	Revenue		Operating profit/(loss)		Invested capital (incl. IFRS 16)	
	2020	Audited 2019	2020	Audited 2019	2020	Audited 2019
Equipment	25 132	26 619	2 025	2 555	14 761	14 711
— Southern Africa	17 592	20 434	1 191	1 836	9 167	11 313
— Eurasia	7 540	6 185	834	719	5 594	3 398
Handling		28	(5)	4	25	255
Equipment and Handling	25 132	26 647	2 020	2 559	14 786	14 966
Share of associate (loss)/profit			(97)	227		

AUTOMOTIVE AND LOGISTICS

R million	Revenue		Operating profit/(loss)		Invested capital (incl. IFRS 16)	
	2020	Audited 2019	2020	Audited 2019	2020	Audited 2019
Car Rental	5 123	6 271	(142)	523	2 803	3 259
Motor Trading	12 595	18 736	(12)	561	3 604	2 091
Avis Fleet	3 046	3 372	443	625	3 191	3 862
Automotive	20 764	28 379	289	1 709	9 598	9 212
Southern Africa	3 785	5 074	(153)	31	1 916	1 446
Europe and Middle East		105		7		7
Logistics	3 785	5 179	(153)	38	1 916	1 453
Automotive and Logistics *	24 549	33 558	136	1 747	11 514	10 665
Share of associate loss			50	4		

* Excluding Avis Fleet.

CORPORATE

R million	Revenue		Operating profit/(loss)		Invested capital (incl. IFRS 16)	
	2020	Audited 2019	2020	Audited 2019	2020	Audited 2019
Southern Africa	2	1	(327)	(253)	394	1 033
Europe			(115)	(156)	(1 578)	(1 707)
	2	1	(442)	(409)	(1 184)	(674)
Share of associate loss			(1)			

KHULA SIZWE

R million	Revenue		Operating profit/(loss)		Invested capital (incl. IFRS 16)	
	2020	Audited 2019	2020	Audited 2019	2020	Audited 2019
Southern Africa			83		(386)	

Forward-looking statements

Certain statements in this document are not reported financial results or historical information, but forward-looking statements. These statements are predictions of or indicate future events, trends, future prospects, objectives, earnings, savings or plans. Examples of such forward-looking statements include, but are not limited to, statements regarding volume growth, increases in market share, exchange rate fluctuations, shareholder return and cost reductions. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as “believe”, “continue”, “anticipate”, “ongoing”, “expect”, “will”, “could”, “may”, “intend”, “plan”, “could”, “may”, and “endeavour”. By their nature, forward-looking statements are inherently predictive, speculative and involve inherent risks and uncertainties, because they relate to events and depend on circumstances that may or may not occur in the future.

If one or more of these risks materialise, or should underlying assumptions prove incorrect, our actual results may differ materially from those anticipated. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to: changes in economic or political conditions and changes to the associated legal, regulatory and tax environments; lower than expected performance of existing or new products and the impact thereof on the Group’s future revenue, cost structure and capital expenditure; the Group’s ability to expand its portfolio; skills shortage; changes in foreign exchange rates and a lack of market liquidity which holds up the repatriation of earnings; increased competition, slower than expected customer growth and reduced customer retention; acquisitions and divestments of Group businesses and assets and the pursuit of new, unexpected strategic opportunities; the impact of legal or other proceedings against the Group; uncontrollable increases to legacy defined benefit liabilities and higher than expected costs or capital expenditures. When relying on forward-looking statements to make investment decisions, you should carefully consider these factors and other uncertainties and events. Forward-looking statements apply only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.



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