

Barloworld Limited
(Incorporated in the Republic of South Africa)
(Registration number 1918/000095/06)
(Income tax registration number 9000/051/71/5)
(Share code: BAW)
(JSE ISIN: ZAE000026639)
(Share code: BAWP)
(JSE ISIN: ZAE000026647)
(Bond issuer code: BIBAW)
("Barloworld")

AMENDMENT TO THE TERMS OF THE B-BBEE TRANSACTION

Background

Shareholders of Barloworld approved the broad-based black economic empowerment transaction ("Khula Sizwe Transaction") on 14 February 2019, based on the circular to shareholders dated 18 December 2018 ("the Circular") (terms defined in the Circular shall have the same meaning in this announcement unless otherwise defined). In terms of the Khula Sizwe Transaction, Barloworld disposed a significant portion of its property portfolio to Propco, which properties are now leased by Propco to various subsidiaries of Barloworld.

First Amendment

Subsequent to the abovementioned Barloworld Shareholder approval, the operational requirements within the Barloworld Equipment division necessitated changes to the property portfolio that formed part of the Khula Sizwe Transaction.

Barloworld determined that the below mentioned properties did not meet the long-term requirements of Barloworld. Barloworld and Propco accordingly proposed to exclude these properties ("Excluded Properties") from the Khula Sizwe Transaction:

Properties	Description	Amount per Circular
1 Gamma Road, Germiston Corner Watt and Liter Street	The property was sold to a third party Property was sold to a third party so that an adjacent property could be acquired	R21 230 000 R19 640 000
Total of properties that were proposed to be excluded		R40 870 000

The following properties ("New Properties") were added to the properties proposed to be sold to Propco or have additional capital expenditure spent by Barloworld, and would therefore fall into or increase the value of the property portfolio to be sold to Propco as part of the Khula Sizwe Transaction:

Property	Description	Amount
Canteen and Wellness Centre - Isando	New Barloworld Equipment Head Office in the process of being developed, a need to add a canteen and wellness centre for employees	R19 630 000
Various properties in Middelburg	Properties adjacent to Barloworld Equipment's existing properties - this would result in improved operational efficiencies	R14 870 000
Total of properties to be added		R34 500 000

Collectively, the property transactions referred to in the table above are the "New Property Transactions".

At the same time, Barloworld took the opportunity to process certain other clean up amendments, including updating incorrect property details and inserting the exact amounts relating to the Management Trust Subscription Agreement, Employee Trust Subscription Agreement, Management Trust Loan Agreement, and the Employee Trust Contribution Agreement, which were previously rounded in the agreements themselves.

The table below shows the changes that were proposed to the amounts in the Management Trust Loan Agreement and the Management Trust Subscription Agreement as well as the Employee Trust Contribution Agreement and the Employee Trust Subscription Agreement. These changes were immaterial and arose due to rounding differences.

Agreement	Amounts as per Original Agreement	Proposed Change	Difference
Employee Trust Contribution	R174 000 000	R174 304 000	R304 000
Employee Trust Subscription Agreement	R174 000 000	R174 304 000	R304 000
Management Trust Loan	R206 800 000	R206 986 000	R186 000
Management Trust Subscription Agreement	R206 800 000	R206 986 000	R186 000

The Transaction Agreements were amended to provide for, inter alia, the following:

- deletion of the Excluded Properties from the schedules of properties (i) to be sold by Barloworld to Propco, and (ii) to be leased by Propco to subsidiaries of Barloworld;
- addition of the New Properties to the schedules of properties (i) to be sold by Barloworld to Propco, and (ii) to be leased by Propco to subsidiaries of Barloworld;
- decrease in the purchase price for the property portfolio being sold to Propco - aggregate purchase price to be decreased by R6 051 500;
- decrease in the aggregate of the rental amounts payable by Barloworld SA and Barloworld Logistics to Barloworld under and in terms of the Property Lease Agreements by an amount which takes account of the decrease in the aggregate purchase price payable for the Properties;
- increase of the Employee Trust Contribution and Employee Trust's Subscription Price from R174 000 000 to R174 304 000; and
- increase of the Management Trust Loan and the Management Trust's Subscription Price from R206 800 000 to R206 986 000

(collectively, "First Amendment").

Rationale for the First Amendment

The rationale for the changes to the previously defined properties was to address the operational requirements within the Barloworld Equipment division and the consequential changes to the property portfolio being sold to Propco.

The First Amendment was required in order to ensure that the Transaction Agreements, as amended, accurately identified the properties being sold to Propco and the value at which those properties were disposed, in addition to effecting the necessary consequential changes.

JSE's No Objection to First Amendment

Shareholders are referred to the Barloworld announcement dated 9 April 2019 regarding the First Amendment whereby, subsequent to the submission made by Barloworld to the JSE in accordance with the Guidance Letter: Amending transaction terms as approved by shareholders issued on 8 May 2012, the JSE issued a letter of no objection noting the proposed amendments and advising that shareholder approval would not be required in that regard.

Second Amendment

The trust deeds of the Management Trust provide for the forfeiture of beneficial interests in the event that a beneficiary resigns from employment with the Group Companies, or is dismissed from a Group Company for misconduct, within a prescribed period of 5 years from 1 October 2019 ("Implementation Date") which expires on 1 October 2024.

Barloworld proposed that the period in which beneficiaries of the Management Trust are at risk of forfeiture of their beneficial interests on resignation or dismissal for misconduct be reduced from 5 years to 3 years.

In order to give effect to these new proposed changes, the following amendments must be effected to the Transaction Agreements:

- amendment of the definition of "Cancellation Period" in the trust deed of the Management Trust (clause 3.1.15) so as to read as follows after amendment: "Cancellation Period" means the period of 3 years ending on 30 September 2022; and
- deletion of the phrase "within a period of five years from the Implementation Date" in clause 16.4 of the Framework Agreement and insertion of the phrase "at any time up to 30 September 2022" in its place,

(collectively, "Second Amendment").

Rationale for the Second Amendment

The forfeiture of beneficial interests was intended to incentivise beneficiaries to remain in the employ of the Group Companies and refrain from misconduct for the duration of the above mentioned 5-year period. Since the Implementation Date, Barloworld's business and employee profile has changed fundamentally. These changes arose from the restructure of the Barloworld business through retrenchments, divestiture of the bulk of its automotive and logistics businesses and the proposed divestiture of the remaining parts of its automotive and logistics businesses. In this period, the total group headcount moved from 17 392 in 2018 to 5 186 as at 31 March 2022 (excluding discontinued operations and those businesses held for sale), which is 29.82% of the 2018 headcount.

The employees who are no longer employed by Group Companies due to the above-mentioned restructuring are no longer subject to the forfeiture of beneficial interests on resignation or dismissal for misconduct as indicated above, whereas those who remain employed by Group Companies continue to be subject to such forfeiture of beneficial interests, which has a negative impact on employee morale. Barloworld and the Trustees are of the view that:

- (i) the differential treatment of beneficiaries is inappropriate in the circumstances and operates in a manner that is unfair to the employees that remain in the employ of the Group Companies,
- (ii) the object of employee retention has been materially achieved, and
- (iii) it would be in the best interests of the Group Companies to equalise the treatment of all Beneficiaries, by reducing the period in which forfeiture of beneficial interests occurs to 3 years from the Implementation Date (as opposed to 5 years), on the basis that such forfeiture will occur only up to 30 September 2022 and cease to apply as from 1 October 2022 (inclusive).

It is noted that the Lock-in Period remains unchanged and expires 5 years from the Implementation Date.

Pro forma financial effects of the First Amendment and Second Amendment

2018 effects

The pro forma financial effects of the Khula Sizwe Transaction on the results of Barloworld as at and for the year ended 30 September 2018 are the responsibility of the Directors and have been reviewed by the Independent Reporting Accountants and Auditors (being Deloitte & Touche with respect to the First Amendment and Ernst & Young Inc. with respect to the Second Amendment).

The pro forma financial effects are presented for illustrative purposes only and because of their pro forma nature, may not fairly present Barloworld's financial position, changes in equity and results of operations or cash flow, nor the effect of the Khula Sizwe Transaction going forward.

	Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H
		First Amend- ment	Post adjustment	% Change	Second Amend- ment 2022	Post adjust- ment	% Change from previous	% Change from Circular
Pro Forma	Circular	2019						

Basic earnings per share (cents)	870,20	2,80	872,56	0,27%	0,00	872,56	0,00%	0,27%
Diluted earnings per Share (cents)	865,00	2,80	867,32	0,27%	0,00	867,32	0,00%	0,27%
Basic headline earnings per share (cents)	1 073,60	2,90	1 076,00	0,22%	0,00	1 076,00	0,00%	0,22%
Diluted headline earnings per share (cents)	1 067,20	2,80	1 069,54	0,22%	0,00	1 069,54	0,00%	0,22%
Net asset value per share (cents)	10 127,60	0	10 127,60	0,00%	0,00	10 127,60	0,00%	0,00%
Tangible net asset value per share (cents)	8 576,70	0	8 576,70	0,00%	0,00	8 576,70	0,00%	0,00%
Weighted average number of shares in issue ('000s)	210 875	0	210 875	0,00%	0	210 875	0,00%	0,00%
Weighted average number of diluted shares in issue ('000's)	212 147	0	212 147	0,00%	0	212 147	0,00%	0,00%
Number of shares in issue ('000's)	219 271	0	219 271	0,00%	0	219 271	0,00%	0,00%
Profit from continuing operations	1 835	5	1 840	0,27%	0	1 840	0,00%	0,27%
Headline earnings from continuing operations	2 264	5	2 269	0,22%	0	2 269	0,00%	0,22%
Reconciliation of changes in earnings								
Finance cost	7	Note 1						
Tax	(2)	Note 2						
IFRS 2	1	Note 3						
Transaction costs	(1)	Note 4						
Additional cost	5				-	Note 6		

Notes:

Note 1 Finance costs

As a result of the amendments to the Khula Sizwe Transaction, the value of the Properties acquired by PropCo from Barloworld is reduced by R6 million to R2 716 million (originally R2 722 million per circular). Propco's purchase of the Properties will be funded 20% equity and 80% external debt. PropCo will obtain external debt of R2 172 million (originally R2 178 million per circular) to fund the acquisition.

The reduction in debt and improved interest rates, 9.59% (originally 9,96% per circular) result in the finance charge decreasing by R7 million to R210 million (originally R217 million per circular).

Note 2 Tax

The deduction of the finance charge, increase in IFRS 2 and increase in transaction costs resulted in an increased tax charge of R1 million (R5 million at 28% corporate tax rate) to R166 million (originally R167 million).

Note 3 IFRS 2: Share based payment expense

The total IFRS 2 charge for the Employee Trust is R174 million (no change from the circular) and R103 million for the Management Trust (originally R108 million per the circular). These charges will be amortised over 2 years for Employees and 5 years for Management in accordance with the vesting period as detailed in paragraph 7 of the Circular. The impact on Propco is an adjustment in equity only. These transactions continue over the vesting period.

	R'million
Annual IFRS 2 charge - Employees	87
Annual IFRS 2 charge - Management	21
Annual IFRS 2 charge - Total	108

The change in the IFRS 2 charge results in an annual decrease of R1 million to the amount as reported in the circular (originally R109 million per annum).

Note 4: Transaction costs

The property amendments have resulted in an increase in transaction costs of R1 million to R38 million (originally R37 million per the circular).

Note 5: Effect on balance sheet

The amendments to the property transaction result in reduced cash in Barloworld and increased debt and equity in PropCo. However, the impact on the to the Net asset value per share of tangible net asset value per share is less than 0,00 cents and less than 0.00%.

Note 6: IFRS 2: Share based payment expense

Due to the fact that no forfeitures were taken into account when the Circular was issued and forfeited shares will be reallocated, there is no financial impact of the change.

2022 effects

The pro forma financial effects of the Khula Sizwe Transaction on the results of Barloworld as at and for the six months ended 31 March 2022 are the responsibility of the Directors and have been reviewed by the Independent Reporting Accountants and Auditors (being Ernst & Young Inc. with respect to the Second Amendment).

The pro forma financial effects are presented for illustrative purposes only and because of their pro forma nature, may not fairly present Barloworld's financial position, changes in equity and results of operations or cash flow, nor the effect of the Khula Sizwe Transaction going forward.

	Column A 31 March 2022 published results Note 1	Column B Second Amendment 2022 Note 2	Column C Post adjustment	Column D % Change from 2022 published results
Pro Forma				
Basic earnings per share (cents) Group	(31,65)	0,00	(31,65)	0,00%
Basic earnings per share (cents) Continued	(82,85)	0,00	(82,85)	0,00%
Basic earnings per share (cents) Discontinued	51,20	0,00	51,20	0,00%
Diluted earnings per Share (cents) Group	(32,50)	0,00	(32,50)	0,00%
Diluted earnings per Share (cents) Continued	(82,85)	0,00	(82,85)	0,00%
Diluted earnings per Share (cents) Discontinued	50,34	0,00	50,34	0,00%
Basic headline earnings per share (cents) Group	755,61	0,00	755,61	0,00%
Basic headline earnings per share (cents) Continued	446,84	0,00	446,84	0,00%
Basic headline earnings per share (cents) Discontinued	308,76	0,00	308,76	0,00%
Diluted headline earnings per share (cents) Group	742,99	0,00	742,99	0,00%
Diluted headline earnings per share (cents) Continued	439,38	0,00	439,38	0,00%
Diluted headline earnings per share (cents) Discontinued	303,61	0,00	303,61	0,00%
Net asset value per share (cents)	9 202,63	0,00	9 202,63	0,00%
Tangible net asset value per share (cents)	7 132,64	0,00	7 132,64	0,00%
Weighted average number of shares in issue ('000s)	196 984	0	196 984	0,00%
Weighted average number of diluted shares in issue ('000's)	200 330	0	200 330	0,00%
Number of shares in issue ('000's)	200 214	0	200 214	0,00%
(Loss) from continuing operations	(164)	0	(164)	0,00%
Profit from discontinuing operations	101	0	101	0,00%
Headline earnings group	1 488	0	1 488	0,00%
Headline earnings from continuing operations	880	0	880	0,00%
Headline earning from discontinuing operations	608	0	608	0,00%

Notes:

Note 1 First Amendment

The March 2022 published results include the Khula Sizwe transaction after the changes proposed in the First Amendment have been taken into account. This should therefore not be adjusted.

Note 2: Second Amendment IFRS 2: Share based payment expense

Due to the fact that no forfeitures were taken into account when the Circular was issued and forfeited shares will be reallocated, there is no financial impact of the Second Amendment on the 2022 published results.

Opinion

The Board is of the view that the cumulative amendments to the Khula Sizwe Transaction arising from the First Amendment and the Second Amendment are not material and do not conflict with the Khula Sizwe Transaction as approved by the Shareholders on 14 February 2019. The First Amendment and the Second Amendment do not, in the opinion of the Board, affect the overall guiding principles and intention of the Khula Sizwe Transaction in terms of which Barloworld is seeking to maintain or improve its BEE Status as a business imperative to operating in South Africa and based on which Barloworld obtained the approval of the Shareholders in General Meeting on 14 February 2019. The rationale for the Khula Sizwe Transaction will still be met in that Barloworld will still have disposed of a material property portfolio to Propco resulting in the creation of a broad based empowerment property entity and the disposal conferred BEE ownership points to Barloworld in terms of Statement 102 of the BEE Codes. The reduction from 5 years to 3 years of the period in which forfeiture of beneficial interests due to resignation or dismissal may take place will not change the beneficiaries of the Management Trust and will accordingly not result in a change in the BEE Status of Barloworld.

In addition:

- the net impact on the Disposal Consideration under the Transaction Agreements being a decrease of R6,051,500, representing a 0.22% decrease in terms of the First Amendment;
- the net impact on the future market value under the Transaction Agreements being a decrease of R6,370,000, representing a 0.22% decrease in terms of the First Amendment;
- the net impact on the As-is Value of the property portfolio being a decrease of R26,000,000, representing a 0.94% decrease in terms of the First Amendment;
- the net impact on the annual rental amounts payable by Barloworld SA and Barloworld Logistics under and in terms of the Property Lease Agreements being a decrease of R777,918, representing a 0.31% decrease in the aggregate annual rentals amount payable under and in terms of the Property Lease Agreements in terms of the First Amendment;
- the net impact of the increase in the Employee Trust Contribution and subscription price in the Employee Trust Subscription Agreements from R174,000,000 to R174,304,000, representing a 0.17% increase in terms of the First Amendment;
- the net impact of the increase in the Management Trust Loan and the subscription price in the Management Trust Subscription Agreement from R206,800,000 to R206,986,000, representing a 0.09% increase in terms of the First Amendment; and
- the net impact of reducing the period in which forfeiture of beneficial interests occurs to 3 years from the Implementation Date (as opposed to 5 years), on the basis that such forfeiture will occur only up to 30 September 2022, and cease to apply as from 1 October 2022 (inclusive), representing a 0.0% movement in terms of the Second Amendment both on the pro formas contained in the Circular as at and for the year ended 30 September 2018 and on the pro formas as at and for the six months ended 31 March 2022;

as well as the Board's review of the opinions from the Independent Property Valuer (Broll Valuation and Advisory Services (Pty) Ltd) on the First Amendment, Independent Expert (THEZA Capital (Pty) Ltd (previously Basis Points Capital (Pty) Ltd) and BDO Corporate Finance (Pty) Ltd) on the first Amendment and on the aggregate of the First Amendment and the Second Amendment, legal advisers (Dentons) on the First Amendment and the aggregate of the First Amendment and the Second Amendment, and the independent Reporting Accountant's reasonable assurance report on the compilation of the pro forma financial effects (Deloitte & Touche in respect of the First Amendment and Ernst & Young Inc. in respect of the Second Amendment);

the aggregate of the First Amendment and Second Amendment are:

- (i) not material; and
- (ii) not in conflict with the approved Khula Sizwe Transaction.

In addition, based on the Independent Property Valuer's letter on the First Amendment and the Independent Expert's letter on the First Amendment and on the aggregate of the First Amendment and the Second Amendment, the Khula Sizwe Transaction as amended by the First Amendment and the Second Amendment remains fair insofar as the Shareholders are concerned and accordingly does not require the further approval of the Shareholders of Barloworld in general meeting.

No objection

A submission was made to the JSE in accordance with Guidance Letter: Amending transaction terms as approved by shareholders issued on 8 May 2012.

The JSE has issued a no objection letter in respect of the amendments to the approved Khula Sizwe Transaction not being referred back to Shareholders.

As a result, the amendments to the approved Khula Sizwe Transaction will not be referred back to Shareholders for approval.

Documents for inspection

A copy of the amendment to the Framework Agreement and the amendment to the trust deed of the Management Trust reflecting the Second Amendment is available for inspection at Barloworld's registered office (61 Katherine Street, Sandown, Sandton, 2196) during normal business hours and on Barloworld's website at <https://barloworld.com/investors/khula-sizwe> from Monday, 3 October to Friday, 21 October 2022.

Johannesburg
3 October 2022

Company Secretary
Vasta Mhlongo

Corporate Adviser and Transaction Sponsor
Tameka Holdings Proprietary Limited

Sponsor
Nedbank Corporate and Investment banking, a division of Nedbank Limited

Independent Reporting Accountants and Auditors on the Second Amendment
Ernst & Young

Independent Expert
BDO Corporate Finance Proprietary Limited
THEZA Capital (Pty) Ltd (previously Basis Points Capital (Pty) Ltd)

Legal Adviser
Dentons