Barloworld
Leading brands

Audited preliminary results
for the year ended 30 September 2018

About Barloworld

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

Corporate information

Barloworld Limited
(Incorporated in the Republic of South Africa)
(Registration number 1918/000095/06)
(Income tax registration number 9000/051/71/5)
(JSE share code: BAW)
(JSE ISIN: ZAE000026639)
(Share code: BAWP)
(JSE ISIN: ZAE000026647)
(Namibian Stock Exchange share code: BWL)
(**Barloworld** or the **company** or the **group**)

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Executive: DM Sewela (*Chief executive*), DG Wilson, O Ighodaro^
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Sponsor
Nedbank Corporate and Investment Banking, a division of Nedbank Limited

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 over 16 countries around the world with 79% of just over 17 400 employees in South Africa.

Salient features

Proposed B-BBEE transaction – approved by the board

Disposal of Equipment Iberia generates **R2.5 billion in cash**

Logistics turnaround on track

Record Equipment Russia performance

Return on equity
at 11.4% (2017: 10.5%; 2016: 9.3%)

Return on invested capital
at 12.3% (2017: 11.2%; 2016: 9.4%)

Free cash of
R3.6 billion generated (2017: R3.4 billion; 2016: R4.3 billion)

Headline earnings per share from continuing operations up
by 18% to 1 151 cents (2017: 16.0%; 2016: (5.0%))

Total dividend per share of
462 cents up 18% (2017: 390 cents; 2016: 345 cents)

Chairman and chief executive's report

Chairman: **Dumisa Ntsebeza** Chief executive: **Dominic Malentsha Sewela**

Dominic Sewela, CE of Barloworld, said:

"The group produced a strong result in the reporting period, despite a difficult trading and economic environment. The solid performance was particularly due to robust earnings growth in Equipment Russia, the turnaround of the Logistics business and the strong associate income from the Bartrac JV in the Katanga region of the DRC. Equipment southern Africa and Automotive performances were satisfactory in a challenging economic cycle.

The group will continue to focus on driving our businesses to their full potential through the optimal allocation of capital and the execution of our medium-term strategy; this sets a strong foundation for the pursuit of value-enhancing acquisitive growth opportunities that fit our capabilities and the optimisation of the group's capital structure."

19 November 2018

Overview

Momentum in the global economy has remained strong led by the United States (US) and other advanced economies. Emerging market economies have come under pressure due to rising US interest rates, the stronger US Dollar and the flow of capital out of these economies.

Growth in the Chinese economy has moderated and is likely to remain under pressure as a result of the escalating trade dispute with the US.

The outlook for the South African economy has weakened with negative consumer and business confidence impacting local demand and a technical recession in the last half of 2018. Benign recovery in the second half of 2018 is expected to result in full year gross domestic product (GDP) growth of approximately 0.7%.

Uncertainty regarding government policy on the expropriation of land (without compensation) has negatively impacted new investment in the country and represents a further risk to retaining South Africa's investment grade sovereign credit rating.

The group generated headline earnings per ordinary share from continuing operations of 1 151 cents per ordinary share which represented a 176 cents (18%) increase on last year. Total headline earnings per ordinary share including discontinued Equipment Iberia operations of 1 192 cents represented a 309 cents per ordinary share (35%) improvement on the 883 cents last year.

The group achieved a return on invested capital (ROIC) for the year of 12.3% (2017: 11.2%) and a return on equity of 11.4% (2017: 10.5%). The improvement of these key metrics remain a key focus area for the group.

Operational review

Health and safety

As reported at the interim, despite ongoing focus on safety across the group, we tragically incurred two work-related fatalities during the year, one in Equipment Russia and another in Automotive. We extend our sincere condolences to the bereaved families to whom we have offered support. We continue to drive the awareness of health and safety in the workplace.

Equipment and Handling

Equipment southern Africa

Revenue for the year of R19 775 million represented a R1 488 million (8.1%) increase on 2017 driven primarily by higher equipment sales (up 21%) in South Africa, Mozambique and Zambia; and rental revenues (up 25%).

Operating profit of R1 790 million was in line with the previous year while operating margin reduced to 9.1% (2017: 9.8%) due to changes in sales mix and foreign exchange.

The effective taxation rate for the division increased from 24% to 34% mainly as a result of local currency weakness in Angola and Zambia.

Income from associates, which mainly relates to our Bartrac joint venture in the Katanga province of the DRC increased from R97 million to R251 million (159%) underpinned by increased mining activity in the region on the back of buoyant current copper and cobalt demand.

The division generated a ROIC of 12.7% slightly lower than the prior year.

The Angolan government has taken steps to reform its economy and restore economic stability. The scrapping of the local currency peg to the US Dollar in January 2018 resulted in a 76% devaluation of the Kwanza to September. Our investment in Angolan

Chairman and chief executive's report continued

US Dollar linked bonds proved an effective hedge against this significant currency devaluation. At September 2018, our investment in US Dollar linked bonds totalled $64.3 million which was $2.0 million down on the prior year and now comprises bonds with longer dated maturities compared to the prior year. Importantly, the trapped in-country Kwanza cash balance decreased by $20 million to $9.9 million at September 2018 with the bulk remitted to repay the holding company in the United Kingdom (UK).

Equipment Russia

Revenue for the year of $606 million was a record high exceeding last year by $221 million (57%). Mining machine revenue increased by 126% while aftermarket revenues were up by 11%. Mining revenue included the delivery of the package deals to Polyus Gold, Norilsk Nickel and NordGold that were highlighted in the September 2017 firm order book.

Operating profit for the year of $61.7 million was $18 million (41%) ahead of the prior year. The operating margin of 10.2% was down on the 11.3% achieved last year due to the increase of large mining machines in the sales mix.

The imposition of increased import tariffs on US sourced machines in early August did not significantly impact the current year's performance.

The divisional ROIC for Russia of 20.4% (2017: 18.4%) was the highest return performance in the group.

Automotive and Logistics

Automotive

The division produced a satisfactory result in difficult trading conditions. Revenue for the year of R29 809 million was R1 784 million (5.6%) down on the previous year. The division produced an operating profit of R1 701 million which was R46 million (2.6%) lower than 2017 with the operating margin increasing from 5.5% to 5.7% in the current year.

ROIC for the year of 12.4% was down on last year's 13.1% due to the lower operating result.

Car Rental

Revenue for the year of R6 528 million was R82 million (1.3%) up on last year mainly as a result of increased rental days and rate per day but negatively impacted by lower used vehicle revenue.

For the year operating profit reduced by R26 million (4.6%) to R536 million due to lower used vehicle profitability.

Avis Fleet

Revenue of R3 326 million was 6.8% below last year as a result of lower leasing revenues.

Operating profit of R641 million showed a R20 million (3.2%) improvement on last year mainly driven by increased used vehicle contribution.

Motor Trading

Trading revenue of R19 955 million was R1 622 million (7.5%) below the prior year, impacted by the dealership closures and disposals during the course of last year. Revenue was further negatively impacted by the implementation of an agency model in Mercedes-Benz passenger vehicles during the course of the current financial year.

Operating profit for the year of R524 million was R40 million (7.1%) below last year with the premium brands showing reduced profitability.

Due to underperformance the Jaguar Land Rover N4 Witbank dealership was closed at the end of July 2018.

Logistics

Revenue for the year decreased by R247 million (4%) compared to prior year. This was mainly due to the subdued economy and a rationalised customer portfolio in Supply Chain

Management. Transport revenue was 6% up on prior year.

Operating profit of R262 million was significantly ahead (160%) of the R101 million generated last year driven by the operational and cost benefits arising from the turnaround initiatives initiated in 2017. This result was achieved despite a restructuring charge of R12.5 million and sub-optimal performance in the KLL and SmartMatta operations.

The division generated a ROIC of 8.7% compared to 2.5% last year, within the set target range in the turnaround process.

Changes in directorate and executive management

At the annual general meeting scheduled for 14 February 2019, Ms Bongiwe Mkhabela and Mr Isaac Shongwe will retire as directors of the board and Mr Don Wilson will retire as a member of the board and finance director. In line with a structured board nomination process the appointment of new non-executive directors of Barloworld will be announced in due course.

To ensure a seamless transition, Ms Olufunke Ighodaro was appointed as an executive director of the board and CFO designate of the company effective 1 October 2018. She will succeed Mr Wilson as finance director of Barloworld at the annual general meeting in February 2019.

Ms Andiswa Ndoni was appointed company secretary effective 1 September 2018.

The board wishes to thank the departing executive and non-executive directors for their valuable service and contribution to the board and Barloworld.

Funding

Group net debt decreased by R2 477 million to R3 276 million mainly as a result of the proceeds of R2 469 million from the sale of Equipment Iberia. While total interest-bearing debt increased by R1 491 million to R11 169 million due to working capital absorption, cash and cash equivalents improved by R3 968 million to R7 893 million at year end.

Human capital, diversity and inclusion and sustainable development

A key initiative for the group to meet its strategic transformational objectives is the development and growth of the diverse talent pool to drive executional ability.

We also continue to drive transformation and diversity within our supply chain in order to support the broader objectives of the company. We have engaged our various principals to advance the localisation objectives; the equity equivalent investment programme in partnership with the Department of Trade and Industry announced by Caterpillar is ongoing.

During 2018 the group remained a constituent of the FTSE/JSE Responsible Investment Index, FTSE4Good Index Series and the Dow Jones Sustainability Emerging Markets Index.

Corporate level strategy

Progress continues in all four areas of the group's strategy.

Fix – The disposal of Equipment Iberia was successfully concluded in July 2018 with the bulk of the proceeds received. The turnaround within the Logistics business is progressing in line with expectations.

Optimise – Equipment southern Africa continues with its operational transformation project, while Motor Retail has an ongoing review of its dealer network and cost structures. Options for the optimal deployment of capital in the Leasing business are well advanced and we are exploring various funding options to enhance return on capital of our rental assets.

Active shareholder model – The group has fully adopted managing for intrinsic value, which focuses on value creation through the structured

Chairman and chief executive's report continued

assessment of opportunities, a strong focus on resource allocation (capital, talent and operating costs), and robust business performance management. The rollout of this programme is complete. To further enhance its foundational capabilities the group is developing and rolling out process optimisation which will be supported by process automation capabilities. The redevelopment of the Barlow Park precinct will commence mid-2019.

Grow – The group continues to review various options as part of its stringent capital deployment philosophies. Our balance sheet has capacity to fund growth or optimise capital structures should opportunities not materialise.

Broad-based black economic empowerment (B-BBEE)

As a responsible corporate citizen Barloworld is aligned with the national development imperatives of advancing inclusive economic transformation and growth. To that effect the Barloworld board approved a B-BBEE transaction proposal that was announced in the terms announcement released on SENS on 19 November 2018.

Transaction highlights:

- Transformation through the creation of a long term sustainable B-BBEE transaction
- Creation of a broad-based foundation (the Foundation) to be issued with 3% of Barloworld's issued ordinary shares
- Sale of a R2.8 billion property portfolio with value growth over time to a black controlled company (PropCo)
- Broad-based participation of 14 000 employees
- Offer to black public to buy PropCo shares
- Sale of property portfolio aligned to strategic focus to maximise and unlock value of all assets
- B-BBEE ownership equivalent to 13.4%
- Limited dilution to shareholders
- Protect and grow the market leading positions of the South African operations
- Reliable, credible partner to public and private sector clients

The proposed transaction is subject to shareholder approval at the annual general meeting scheduled for 14 February 2019.

Outlook

Since June 2018, commodity prices which were negatively impacted by the US-China trade dispute have shown some recovery based on improved demand from China. Commodity market fundamentals remain positive going into the new financial year.

The Equipment SA firm order book as at the end of September 2018 of R2.4 billion includes approximately R580 million relating to the Mota Engil deal which will be delivered in the first quarter of the new financial year. While the bulk of the order book relates to mining and contract mining, 42% relates to construction orders. Government's plan to establish an infrastructure fund as part of the economic stimulus and recovery plan is further likely to stimulate local demand for construction equipment.

The new Mining Charter issued in late September 2018 has received a positive reaction from the market. While a number of positive changes have been made compared to the June 2018 consultation draft, there remain a number of key issues to be resolved. The finalisation of the Mining Charter remains a requirement for ensuring the long-term sustainable growth and transformation of the South African mining industry.

In the Democratic Republic of the Congo (DRC), the general election for a new president is scheduled to take place on

23 December 2018. This election has been delayed by just over two years and is vital for ensuring peace and stability in the DRC.

Mining activity in the DRC remains at elevated levels on the back of strong global demand for copper and cobalt. While the adoption of a new mining code in January 2018 could affect new mining investment in the DRC, it has not impacted existing production and we are projecting another strong performance from our joint venture in the Katanga province in the coming year.

Russian GDP growth is forecast to reduce from around 2% in 2018 to 1.0% in 2019 due to slowing consumer demand and reduced investment. The outlook for the Russian economy is, however, highly dependent on the oil price as well as the nature of new sanctions that are likely to be introduced later this year or in 2019.

The Equipment Russia firm order book at September 2018 has reduced to $44 million following the delivery of various package deals in the current financial year. The outlook for 2019 remains positive but mining machine sales are unlikely to meet the activity levels achieved in 2018. In addition, machines sourced from the United States are subject to higher tariffs that will result in margin pressure in the Russian market. The installed working machine population has increased significantly which bodes well for future aftermarket demand especially in the mining segment.

South African consumers remain under pressure in a slowing economy. Higher fuel prices due to the weakening Rand and rising global oil prices have eroded the consumer's disposable income. We therefore expect industry vehicle sales in 2019 to be flat or slightly down on the current year with Rand depreciation adding further pressure to the premium segment.

Motor Trading will continue to focus on dealership profitability and returns, and actively address any underperformance at that level. The premium brands are expected to remain under pressure in the coming year.

Car Rental industry volumes have decreased by approximately 1% for the financial year with corporate and local leisure segments under pressure. While we expect continued growth in inbound tourism, this segment remains extremely competitive.

In mid-October, the City of Johannesburg announced the non-renewal of the Avis Fleet contract for non-specialised vehicles. While securing contracts to increase the finance fleet is an immediate challenge facing the business, good momentum has recently been gained in securing additional sizeable corporate contracts.

In Logistics the benefits of the turnaround initiatives surpassed the targets set for 2018 and we expect the next phase of the project to play a significant part in delivering improved results in 2019. A decision has been taken to dispose of the loss making KLL and the SmartMatta business units and consequently the assets and liabilities of these businesses have been disclosed as held for sale at September 2018.

DB Ntsebeza
Chairman

DM Sewela
Chief Executive

Group financial review

Financial director: **Don Wilson**

In July 2018 the group announced the conclusion of the sale of its Equipment Iberia business. In compliance with IFRS 5, and as presented at the year ended 30 September 2017, the results of the Equipment Iberia operations and the profit on the sale of this operation have been reported separately as a discontinued operation. The following commentary reflects current year trends from the group's continuing operations unless specifically stated.

The financials have been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34 Interim Financial Reporting.

The accounting policies applied for the reporting period are consistent with those applied during the prior comparative period.

The financial information has been audited by the company's auditors Deloitte & Touche and a copy of the audit opinion is available for inspection at the company's registered offices.

Financial performance from continued operations for the year ended 30 September 2018

Revenue for the year increased by 2.4% to R63.4 billion (2017: R62.0 billion) on the back of a record performance in Equipment Russia together with solid growth in Equipment southern Africa. Despite geopolitical challenges in the latter part of the year, Equipment Russia continued to benefit from strong mining activity in the region, specifically the delivery of large orders contracted at the end of 2017, with revenue up by 57% in US Dollar terms to $606 million (2017: $385 million). Equipment southern Africa revenues of

R19.8 billion were 8.1% above prior year (2017: R18.3) driven by mining machine sales in South Africa and Mozambique. Automotive revenues at R29.8 billion (2017: R31.6 billion) were down by 5.6% against the prior year. Automotive trading revenues were impacted by the 2017 closure and disposal of three General Motors and two BMW dealerships, together with the changes in revenue recognition in line with the agency model for Mercedes-Benz new passenger vehicle sales during the year. Logistics' successful turnaround continued with transport revenues growing by 9.1%, however total Logistics revenue of R5.9 billion (2017: R6.2 billion) was 4% behind prior year following the loss of key contracts in the prior year.

While the Rand weakened towards the end of the second half of the financial year, a strengthening in the Rand during the first half of the year resulted in a net year to date reduction in revenue of R356 million (0.7%) with the bulk of the reduction impacting Equipment southern Africa and Russia.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) of R7.0 billion improved by 4.2% while operating profit improved by 7.9% to R4.4 billion (2017: R4.1 billion). Group operating margin increased to 6.9% (2017: 6.6%). Margins in Equipment Russia and Equipment southern Africa were negatively impacted by stronger mining machine sales mix contributions which in time will contribute positively to aftermarket activity. Russia generated record operating profits of $61.7 million (2017: $43.4 million). Equipment southern Africa maintained operating profit at R1.8 billion (2017: R1.8 billion) which was assisted by the release of parts inventory provisions following certification of our rebuild facility. Automotive operating margin improved despite closures and disposals in the prior year while operating profit declined by 2.7%. A highlight of this year's operating profit growth was the turnaround of Logistics which contributed operating profit of R262 million against last year's R101 million, an increase of 160%.

Net operating profit after tax (NOPAT), a key element of our ROIC metric for determining economic profit (EP), increased by R126 million to R3.3 billion (2017: R3.2 billion).

The net negative fair value adjustments on financial instruments of R133 million (2017: R209 million) largely consist of the cost of forward points on foreign exchange contracts, translation gains and losses on foreign currency denominated monetary assets and liabilities in Equipment southern Africa. The weakening of the Rand, particularly towards the end of the financial year, resulted in exchange gains in respect of US Dollar held deposits.

Net finance costs of R1 035 billion are down by R186 million (15%) on prior year due to lower average borrowings and lower funding rates in South Africa.

Losses from non-operating and capital items of R248 million consist largely of impairments of goodwill, intangibles and other assets of R234 million in Logistics following the decision to dispose of the KLL and SmartMatta businesses and the impairment of an investment held by our Automotive investment (R24 million).

The taxation charge increased by R385 million and the effective tax rate (excluding prior year taxation and non-operating and capital items) increased to 28.5% (2017: 23.9%) largely as a result of local currency weakness against the US Dollar in certain offshore operations. In particular, the group's tax charge was negatively impacted by the weakening Angolan Kwanza, Zambian Kwatcha and Russian Ruble against the US Dollar.

The increase in income from associates and joint ventures in the year is mainly attributable to the profitability of the Equipment joint venture in the

Group financial review continued

Katanga province of the DRC. Income of R235 million was well up on the R93 million achieved last year.

The discontinued Equipment Iberia operations generated a net gain on sale of R1.6 billion, representing the premium to net asset value of the sale of proceeds and a R1.5 billion gain in respect of the recycling of exchange reserves accumulated since the acquisition in 1992.

Overall, profit from continuing operations increased by R247 million (12.2%) to R2.3 billion and headline earnings per share (HEPS) from continuing operations increased by 18% to 1 151 cents (2017: 975 cents). Total HEPS including discontinued operations increased by 35% from 883 cents to 1 192 cents.

Cash flows

Generating cash flow is a key returns measure for management and the group achieved net cash flows before financing activities of R2.6 billion, which was in line with the prior year. This was after dividend payments of R953 million for the year.

Cash generated from operations of R3.8 billion was down on the prior year (2017: R6.0 billion) but strong in light of market conditions weighing on our operations.

The group invested R2.1 billion into working capital in the current year compared to the R1.5 billion reduction last year. The increase was largely as a result of increased inventories and receivables in our Equipment businesses. Investments in our rental and leasing fleets were contained to R2.2 billion (2017: R2.9 billion) with car rental well down on the prior year.

Cash inflows from investing activities of R1.9 billion (2017: R329 million outflow) included the proceeds from the sale of Equipment Iberia of R2.5 billion (€163 million).

Our ongoing strategy to hedge our exposure in Angola by investing in Angolan US Dollar linked government bonds protected us against the Kwanza devaluation of more than 76% that has occurred since January 2018 following that currency's unpegging from the US Dollar. Due to improved US Dollar currency allocations in Angola in the latter part of the year we have marginally reduced our investment in Angolan US Dollar linked government bonds at September 2018 to US Dollar 64 million (2017: US Dollar 66 million) and we have reduced our Kwanza cash on hand by US Dollar 20 million.

Financial position

Total assets employed in the group increased by R2.9 billion (6.3%) driven by increased inventories and receivables in our Equipment businesses, together with an increase of R4 billion in cash on hand at year end. Assets held for sale of R497 million include the Logistics Middle East business, the KLL and SmartMatta Logistics assets and the Barlow Park office park.

Total debt increased by R1.5 billion to R11.2 billion (2017: R9.7 billion) while net debt of R3.3 billion was R2.5 billion down on prior year (2017: R5.8 billion) as a result of the increase in cash on hand.

The UK pension scheme deficit decreased from R2.2 billion (£123 million) to R1.8 billion (£95 million) mainly due to an increase in the AA corporate bond yield which reduced the estimated future pension liability. As part of the 2017 triennial recovery plan agreement with the trustees and the UK Pensions Regulator, the group has agreed a payment plan for the next eight years to address the actuarial deficit at the 2017 valuation date.

Returns

Return on equity from continuing operations increased to 11.4% from 10.5% last year. Return on invested capital increased to 12.3% from 11.2% driven by increased NOPAT and a reduction in our overall invested capital to R26.0 billion (2017: R26.6 billion). The primary driver of the reduction in invested capital was in the

Logistics business where management have reduced the invested capital by R510 million.

Debt

In October 2017 bonds totalling R425 million (BAW3 and BAW8) matured and were repaid using available banking facilities. In February 2018, BAW29, a five-year, R400 million bond was issued in anticipation of bonds maturing in the latter part of the calendar year. BAW11 and BAW17, totalling R1.2 billion, mature in October and December 2018 respectively with BAW11 repaid just after year end using existing facilities. The refinance of BAW17 will be addressed with a new R700 million three-year bond to be issued in December 2018. Overall the group debt maturity profile is well balanced in future years.

Closing South African short-term debt includes commercial paper totalling R700 million (2017: R643 million). Subject to funding rates, we expect to maintain our participation in this market.

At 30 September 2018 the group had unutilised borrowing facilities of R10.6 billion (2017: R10.7 billion) of which R8.1 billion (2017: R8.0 billion) was committed. The group's ratio of long-term to short-term debt declined to 54%:46% (2017: 79%: 21%). The increased short-term debt ratio is attributable to maturing bonds of R1.2 billion as (highlighted above). The group has sufficient long-term committed facilities to cover short-term debt.

In March 2018 Moody's raised Barloworld's Global Scale outlook from negative to stable following the change of outlook on the Baa3 sovereign rating of South Africa and on 2 May 2018 Moody's affirmed our long-term and short-term issuer Global Scale Rating of Baa3 and P-3 and long-term and short-term issuer National Scale Rating of Aa1.za and P-1.

Net debt to EBITDA of 0.5 times is well down on the prior year of 0.9 times and supports our capacity for future transactions. Net debt to equity has also reduced to 14.7% from 27.6% in the prior year with 176% of our year-end net debt in the leasing and Car Rental business segments and the Trading segment in a net cash position.

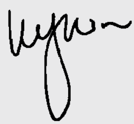
Dividends

Barloworld's dividend policy is to pay dividends within an annual HEPS cover range of 2.5 to 3.0 times. On the back of the results of the year, dividends totalling 462 cents per ordinary share have been declared, representing cover of 2.5 times.

2019 outlook

The execution of our strategy to fix, optimise and grow the business has yielded improved returns for our shareholders and we remain committed to delivering on this strategy. Notwithstanding Logistics' commendable results for 2018, pressure remains on the turnaround of that business with the aim of driving returns closer to the group hurdle rates.

The low gearing levels in the group mainly as a result of high cash on hand will be addressed going forward by both acquisitions and optimisation of the existing capital structure to improve group returns.



DG Wilson
Finance director

Operational reviews

Equipment and Handling

	Revenue		Operating profit/(loss)		Net operating assets	
	Year ended 30 September		Year ended 30 September		Year ended 30 September	
	2018 Rm	2017 Rm	**2018 Rm**	2017 Rm	**2018 Rm**	2017 Rm
Equipment	**27 572**	23 428	**2 594**	2 367	**14 596**	15 091
– Southern Africa	**19 775**	18 287	**1 790**	1 785	**11 637**	10 106
– Europe						2 441
– Russia	**7 797**	5 141	**804**	582	**2 959**	2 544
Handling	**114**	765	**(20)**	(5)	**306**	443
	27 686	24 193	**2 574**	2 362	**14 902**	15 534
Share of associate income			**241**	97		

Equipment southern Africa's revenue increased by 8.1% to R19.8 billion compared to last year, primarily due to higher new equipment and rental revenues. Machine revenue was up 21%, driven by growth in mining sales and market share growth in the construction sector. Reduced demand in public works and investment in infrastructure continued to constrain the construction sector while the mining sector contracted slightly during the year. Rental revenue increased by 25% supported by rising contract mining activities and growth in emerging contractors. The Energy and Transportation segment posted weak results in a constrained diesel genset market.

Operating profit remained flat at R1.8 billion with reduced operating margin of 9.1% (2017: 9.7%), largely due to changes in the sales mix and the impact of foreign exchange. Aftermarket was down 2%, due to the ramp down of the De Beers Voorspoed mine in preparation for closure, a reduction in Maintenance and Repair Contract and Service revenues, which declined by 8.6% in South Africa, Mozambique and Botswana. Approximately 79% of operating profits were generated in South Africa (2017: 70%).

The effective tax rate increased to 34% in 2018 (2017: 24%) as a result of IAS 12.41 adjustments relating to currency devaluations in our Angola and Zambia operations. The impact was offset by the growth in income from associates. Bartrac, our joint venture in the Katanga province of the DRC, generated pleasing earnings of R251 million, a significant increase of 159%, compared to R97 million in 2017, reflecting higher commodity prices and production ramp-up of the Glencore Katanga operations. The cash outflow before financing activities and before dividends of R99 million was mainly as a result of working capital outflows. ROIC for the division ended at 12.7% slightly lower than the prior year performance.

In Russia revenue for the year of R7.8 billion showed a R2.7 billion (52%) increase over the prior year driven by improved new equipment demand in the mining and infrastructure segments, headlined by the Polyus mining truck deal. The aftermarket business has also demonstrated resilience and growth.

Operating profit of R804 million was R222 million up on last year (38%). Operating margin decreased from 11.3% to 10.3% primarily due to the increase of new equipment sales in the revenue mix. Russia produced record returns and generated positive cash flows in 2018.

The Handling loss of R20 million mainly relates to losses incurred following the decision to close the agriculture operations in Mozambique. BHBW our Agriculture and Handling associates in South Africa and Zambia generated associate losses of R6 million for the year.

Automotive and Logistics

	Revenue		Operating profit/(loss)		Net operating assets	
	Year ended 30 September		Year ended 30 September		Year ended 30 September	
	2018 Rm	2017 Rm	**2018 Rm**	2017 Rm	**2018 Rm**	2017 Rm
Automotive	**29 809**	31 593	**1 701**	1 747	**8 758**	8 675
– Car Rental	**6 528**	6 446	**536**	562	**2 854**	2 750
– Avis Fleet	**3 326**	3 570	**641**	621	**3 778**	3 687
– Motor Trading	**19 955**	21 577	**524**	564	**2 126**	2 238
Logistics	**5 924**	6 171	**262**	101	**1 538**	2 082
– Southern Africa	**5 807**	6 011	**255**	102	**1 445**	1 970
– Europe and Middle East	**117**	160	**7**	(1)	**93**	112
	35 733	37 764	**1 963**	1 848	**10 296**	10 757
Share of associate loss			**(6)**	(4)		

The Automotive division delivered a satisfactory result in a difficult trading environment. Operating profit declined by 2.6% off a revenue reduction of 5.6%. Revenue was impacted by dealer network restructuring in BMW and General Motors during the 2017 financial year as well as the change of revenue recognition in line with the new agency model implemented by Mercedes-Benz (Passenger) in the Motor Trading business. On a comparable basis revenue increased by 0.3% compared to prior year. The division increased operating margin to 5.7% (2017: 5.5%) and achieved a ROIC of 12.4% (2017: 13.1%). The division also generated R690 million in free cash flow.

Car Rental produced a respectable result with operating profit declining by 4.6% to R536 million. The car rental industry rental days

Operational reviews

Automotive and Logistics continued

declined by 0.7%. The used vehicle market for one-year old vehicles came under pressure as margins declined due to lower new vehicle inflation, impacting the overall results negatively. The business managed to offset this impact through growth in rental days, increased rates per day and containing fleet costs and vehicle damage expenses below inflation. Fleet utilisation was maintained at 76%.

Avis Fleet delivered a solid result generating operating profit of R641 million, up 3.2%, and increased operating margin to 19.3% (2017: 17.4%). The result was supported by strong used-vehicle profit contribution from three to five-year old de-fleeted vehicles. Revenue declined by 6.8% due to lower leasing revenue in some of the key contracts. The business continues to focus on improving returns in other African territories.

Motor Trading delivered a reasonable result in a tough trading environment. Operating profit declined by 7.1% to R524 million against a revenue decline of 7.5%, impacted by the dealer network restructuring and revenue recognition in line with the new agency model implemented by Mercedes-Benz (Passenger). On a comparable basis, revenue increased by 1.2% on the prior year with the operating margin maintained at 2.6%. The new vehicle dealer market increased by 0.5% on the prior year but the premium brands declined by double digits for the fourth consecutive year, negatively impacting the results. On the upside, the results were positively impacted by a good performance from the volume brands as well as positive contribution from aftermarket revenues. The business has benefited from the cost alignment and restructuring decisions taken in the past two years and to further optimise the portfolio the business disposed of one non-core business and closed an underperforming dealership in the year. ROIC was above the group target of 13% with positive free cash flow generated.

Logistics produced significant improvements in business performance, driven by focused transformational turnaround plans despite the tough economic environment. While total revenue of R5.9 billion declined by 4.0% from 2017, operating profit of R262 million was 160% up on prior year. Lower trading in Supply Chain Management was partly offset by improved activity in Transport mainly due to improved trading in mining and FMCG. Overall, the significant improvement in profitability was driven by implementation of the turnaround strategy embarked on in 2017. The reduction in net operating assets was mainly driven by refinancing of Transport assets and working capital reduction in Supply Chain Management.

The KLL and SmartMatta business units have significantly underperformed and as a result have been impaired to fair value and disclosed as held for sale at September 2018. The disposal of the Middle East business is progressing well.

Corporate

	Revenue		Operating profit/(loss)		Net operating assets/ (liabilities)	
	Year ended 30 September		Year ended 30 September		Year ended 30 September	
	2018 Rm	2017 Rm	**2018 Rm**	2017 Rm	**2018 Rm**	2017 Rm
Southern Africa	**1**	2	**(74)**	(56)	**580**	553
UK			**(59)**	(72)	**(1 739)**	(2 262)
	1	2	**(133)**	(128)	**(1 159)**	(1 709)

Corporate primarily comprises the operations of the group headquarters and treasury in Johannesburg, the treasury in Maidenhead (United Kingdom) and Barloworld Insurance Limited (BIL), the captive insurance company. Southern Africa incurred higher operating losses compared to last year mainly due to increased corporate activities while the UK costs were favourably impacted by improved BIL profitability.

Dividend declaration

Dividend number 180

Notice is hereby given that total dividend number 180 of 317 cents (gross) per ordinary share in respect of the 12 months ended 30 September 2018 has been declared subject to the applicable dividends tax levied in terms of the Income Tax Act (Act No. 58 of 1962)(as amended) (the Income Tax Act).

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

- The dividend has been declared out of income reserves;
- Local dividends tax rate is 20% (twenty per centum);
- Barloworld has 212 692 583 ordinary shares in issue;
- The gross local dividend amount is 317 cents per ordinary share;
- The net dividend amount is 253.6 cents per ordinary share.

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

Dividend declared	Monday, 19 November 2018
Last day to trade cum dividend	Tuesday, 08 January 2019
Ordinary shares trade ex-dividend	Wednesday, 09 January 2019
Record date	Friday, 11 January 2019
Payment date	Monday, 14 January 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 09 January 2019 and Friday 11 January 2019, both days inclusive.

On behalf of the board

Andiswa Ndoni
Group company secretary

Summarised consolidated income statement

for the year ended 30 September

	Note	Audited 2018 Rm	Audited 2017 Rm	% change
CONTINUING OPERATIONS				
Revenue		**63 420**	61 959	2
Operating profit before items listed below (EBITDA)		**6 978**	6 694	
Depreciation		**(2 433)**	(2 468)	
Amortisation of intangible assets		**(141)**	(144)	
Operating profit		**4 404**	4 082	8
Fair value adjustments on financial instruments		**(133)**	(209)	
Finance costs		**(1 182)**	(1 329)	
Income from investments		**147**	109	
Profit before non-operating and capital items		**3 236**	2 653	22
Non-operating and capital items	3	**(248)**	(155)	
Profit before taxation		**2 988**	2 498	
Taxation		**(950)**	(565)	
Profit after taxation		**2 038**	1 933	5
Income from associates and joint ventures		**235**	93	
Profit for the year from continuing operations		**2 273**	2 026	12
DISCONTINUED OPERATIONS				
Profit/(loss) from discontinued operation	6	**1 647**	(269)	
Profit for the year		**3 920**	1 757	
Net profit attributable to:				
Owners of Barloworld Limited		**3 846**	1 643	134
Non-controlling interest in subsidiaries		**74**	114	
		3 920	1 757	
Earnings per share from group (cents)				
– basic		**1 823.8**	779.6	
– diluted		**1 812.9**	774.7	
Earnings per share from continuing operations (cents)				
– basic		**1 042.8**	907.2	
– diluted		**1 036.5**	901.5	
Earnings/(loss) per share from discontinued operation (cents)				
– basic		**781.0**	(127.6)	
– diluted		**776.4**	(126.8)	

Summarised consolidated statement of other comprehensive income

for the year ended 30 September

	Audited	
	2018 Rm	2017 Rm
Profit for the year	**3 920**	1 757
Items that may be reclassified subsequently to profit or loss:	**(874)**	75
Exchange gains on translation of foreign operations	**645**	8
Translation reserves realised on disposal of foreign subsidiaries	**(1 502)**	
(Loss)/gain on cash flow hedges	**(23)**	89
Deferred taxation on cash flow hedges	**6**	(22)
Items that will not be reclassified to profit or loss:	**345**	535
Actuarial gains on post-retirement benefit obligations	**415**	678
Taxation effect of net actuarial losses	**(70)**	(143)
Other comprehensive (loss)/income for the year, net of taxation	**(529)**	610
Total other comprehensive income for the year	**3 391**	2 367
Total other comprehensive income attributable to:		
Owners of Barloworld Limited	**3 317**	2 253
Non-controlling interest in subsidiaries	**74**	114
	3 391	2 367

Summarised consolidated statement of financial position

at 30 September

	Note	Audited 2018 Rm	Audited 2017 Rm
ASSETS			
Non-current assets		**19 231**	18 613
Property, plant and equipment		**12 657**	12 659
Goodwill		**1 873**	1 932
Intangible assets		**1 528**	1 602
Investment in associates and joint ventures		**1 343**	1 093
Finance lease receivables		**211**	240
Long-term financial assets		**909**	404
Deferred taxation assets		**710**	683
Current assets		**29 531**	24 368
Vehicle rental fleet		**3 058**	3 222
Inventories		**9 592**	8 457
Trade and other receivables		**8 883**	8 676
Taxation		**105**	88
Cash and cash equivalents		**7 893**	3 925
Assets classified as held for sale	6	**497**	3 343
Total assets		**49 259**	46 324
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium		**441**	441
Other reserves		**4 194**	5 144
Retained income		**17 598**	14 690
Interest of shareholders of Barloworld Limited		**22 233**	20 275
Non-controlling interest		**517**	602
Interest of all shareholders		**22 750**	20 877
Non-current liabilities		**8 917**	10 852
Interest-bearing		**5 995**	7 623
Deferred taxation liabilities		**632**	538
Provisions		**47**	19
Other non-current liabilities		**2 243**	2 672
Current liabilities		**17 466**	13 798
Trade and other payables		**11 122**	10 697
Provisions		**1 100**	929
Taxation		**70**	117
Amounts due to bankers and short-term loans		**5 174**	2 055
Liabilities directly associated with assets classified as held for sale	6	**126**	797
Total equity and liabilities		**49 259**	46 324

Summarised consolidated statement of changes in equity

at 30 September

	Audited					
	Share capital and premium Rm	Other reserves Rm	Retained income Rm	Attributable to Barloworld Limited shareholders Rm	Non-controlling interest Rm	Interest of all shareholders Rm
Balance at 1 October 2016	441	5 134	13 367	18 942	737	19 679
Total comprehensive income for the year		75	2 178	2 253	114	2 367
Transactions with owners, recorded directly in equity						
Other reserve movements		(154)	32	(122)		(122)
Other changes in minority shareholders' interest and minority loans		89	(132)	(43)	(201)	(244)
Dividends			(755)	(755)	(48)	(803)
Balance at 30 September 2017	441	5 144	14 690	20 275	602	20 877
Total comprehensive (loss)/income for the year		**(874)**	**4 191**	**3 317**	**74**	**3 391**
Transactions with owners, recorded directly in equity						
Other reserve movements		**(41)**	**55**	**14**	**(3)**	**11**
Other changes in minority shareholders' interest and minority loans			**(183)**	**(183)**	**(75)**	**(258)**
Disposal of subsidiary		**(35)**	**(283)**	**(318)**		**(318)**
Dividends			**(872)**	**(872)**	**(81)**	**(953)**
Balance at 30 September 2018	**441**	**4 194**	**17 598**	**22 233**	**517**	**22 750**

Summarised consolidated statement of cash flows

for the year ended 30 September

	Note	Audited 2018 Rm	2017 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating cash flows before movements in working capital		**8 111**	7 307
Movement in working capital		**(2 065)**	1 539
Cash generated from operations before investment in leasing and rental fleets		**6 046**	8 846
Fleet leasing and equipment rental fleet		**(1 593)**	(1 661)
Additions		**(3 305)**	(3 550)
Proceeds on disposal		**1 713**	1 889
Vehicles rental fleet		**(631)**	(1 220)
Additions		**(3 921)**	(4 373)
Proceeds on disposal		**3 290**	3 153
Cash generated from operations		**3 822**	5 965
Finance costs		**(1 184)**	(1 338)
Realised fair value adjustments on financial instruments		**(140)**	(270)
Dividends received from investments, associates and joint ventures		**113**	13
Interest received		**147**	108
Taxation paid		**(1 058)**	(744)
Cash inflow from operations		**1 700**	3 734
Dividends paid (including non-controlling interest)		**(953)**	(803)
Cash retained from operating activities		**747**	2 931
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries, investments and intangibles	4	**(86)**	(393)
Proceeds on disposal of subsidiaries, investments and intangibles	5	**2 342**	379
Movements in investments in leasing receivables		**(53)**	(134)
Acquisition of other property, plant and equipment		**(618)**	(774)
Replacement capital expenditure		**(244)**	(315)
Expansion capital expenditure		**(374)**	(458)
Proceeds on disposal of property, plant and equipment		**306**	593
Net cash generated/(used) in investing activities		**1 891**	(329)
Net cash inflow before financing activities		**2 638**	2 602
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares repurchased for equity-settled share-based payment		**(43)**	(154)
Purchase of non-controlling interest		**(257)**	(201)
Non-controlling interest loan and equity movements			4
Proceeds from long-term borrowings		**2 956**	4 260
Repayment of long-term borrowings		**(3 322)**	(5 005)
Movement in short-term interest-bearing liabilities		**1 746**	(546)
Net cash from/(used in) financing activities		**1 080**	(1 642)
Net increase in cash and cash equivalents		**3 718**	960
Cash and cash equivalents at beginning of year		**3 925**	3 028
Cash and cash equivalents held for sale at the beginning of year		**102**	
Effect of foreign exchange rate movement on cash balance		**167**	39
Effect of cash balances classified as held for sale		**(19)**	(102)
Cash and cash equivalents at end of year		**7 893**	3 925
Cash balances not available for use due to reserving restrictions		**178**	444

Summarised notes to the consolidated financial statements

for the year ended 30 September

1. BASIS OF PREPARATION

The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements (Listings Requirements) for preliminary reports, and the requirements of the Companies Act applicable to the summarised financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting. The accounting policies applied in the preparation of the summarised 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 previous consolidated financial statements, with the exception of a change in estimate relating to the determination of the net realisable value (NRV) of rebuild components. In the current year the Equipment southern Africa Rebuild Centre was certified by Caterpillar. In order to receive certification the Rebuild Centre had to demonstrate excellence in quality, efficiency, capacity, image, administration and continuous improvements. This certification, together with operational efficiencies, has resulted in increased margins being earned on rebuilt components which management believes are sustainable into the foreseeable future. This has resulted in a change in determining the scale applied to estimating the NRV of rebuilt components and in the determination of inventory turns. This change in methodology to estimate the NRV provision recognised against rebuilt components is considered a change in estimate in accordance with IAS 8 Accounting policies, changes estimates and errors. This change has been accounted for prospectively in the current year. Applying the previous methodology, the NRV provision against rebuild components would have increased by R75 million in the year (income statement charge of R75 million). The revised estimate resulted in a reduction in the NRV provision against rebuilt components of R205 million. Therefore the net impact recognised in the income statement as income for the year was R130 million. Equipment Iberia was sold in the year and the results of this operation have been classified as a discontinued operation. This announcement is a summary of the complete set of financial statements available for inspection at our registered office. An unmodified audit opinion was issued on the complete set of the consolidated financial statements.

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

	Audited 2018 Rm	Audited 2017 Rm
2. RECONCILIATION OF NET PROFIT TO HEADLINE EARNINGS		
Profit attributable to Barloworld shareholders	**3 846**	1 643
Adjusted for the following:		
Loss on disposal of subsidiaries and investments (IFRS 10)	**(98)**	25
Profit on disposal of plant, property, equipment and intangibles assets excluding rental assets (IAS 16 and IAS 38)	**(10)**	(43)
Impairment of goodwill (IFRS 3)	**70**	73
Impairment of plant and equipment (IAS 16) and intangibles (IAS 38) and other assets	**155**	98
Impairment of investments in associates and joint ventures (IAS 36)	**24**	
Realisation of translation reserves on disposal of foreign subsidiaries (IAS 21)	**(1 502)**	
Taxation effects of remeasurements	**(18)**	(5)
Associate and non-controlling interest in remeasurements	**47**	71
Net remeasurements excluded from headline earnings	**(1 332)**	219
Headline earnings	**2 514**	1 862
Headline earnings from continuing operations	**2 427**	2 053
Headline earnings/(loss) from discontinued operation	**87**	(191)

Summarised notes to the consolidated financial statements continued

for the year ended 30 September

	Audited 2018 Rm	2017 Rm
2. RECONCILIATION OF NET PROFIT TO HEADLINE EARNINGS continued		
Weighted average number of ordinary shares in issue during the year (000)		
– basic	**210 875**	210 780
– diluted	**212 147**	212 095
Headline earnings per share (cents)		
– basic	**1 192.1**	883.4
– diluted	**1 185.0**	877.9
Headline earnings per share from continuing operations (cents)		
– basic	**1 150.9**	974.5
– diluted	**1 144.0**	968.0
Headline earnings/(loss) per share from discontinued operation (cents)		
– basic	**41.2**	(91.1)
– diluted	**41.0**	(90.1)
3. NON-OPERATING AND CAPITAL ITEMS		
Loss on acquisitions and disposal of investments and subsidiaries		(25)
Impairment of investments	**(24)**	(73)
Impairment of goodwill	**(70)**	
Profit on disposal of property, plant, equipment, intangibles and other assets	**1**	41
Impairment of property, plant and equipment, intangibles and other assets	**(155)**	(98)
Gross non-operating and capital items from continuing operations	**(248)**	(155)
Taxation benefit on non-operating and capital items	**20**	5
Non-operating and capital items included in associate income from continuing operations		7
Net non-operating and capital items from continuing operations	**(228)**	(143)
Net non-operating and capital items from discontinued operations	**9**	
Taxation charge on non-operating and capital items from discontinued operations	**(2)**	
Non-operating and capital items included in associate income from discontinued operations	**(47)**	(78)
Net non-operating and capital items loss	**(268)**	(221)

As per our group accounting policy the definition of non-operating and capital items does not include profit or loss on property, plant and equipment, intangibles and investments. These items are adjusted for in the headline earnings calculation.

		Audited	
		2018 Rm	2017 Rm
4.	**ACQUISITION OF SUBSIDIARIES, INVESTMENTS AND INTANGIBLES**		
	Investment and intangible assets acquired	**(86)**	(393)
	Cash amounts paid to acquire subsidiaries, investments and intangibles	**(86)**	(393)
5.	**PROCEEDS ON DISPOSAL OF SUBSIDIARIES, INVESTMENTS AND INTANGIBLES**		
	Inventories disposed	**969**	551
	Receivables disposed	**1 196**	26
	Payables, taxation and deferred taxation balances disposed and settled	**(785)**	(60)
	Borrowings net of cash	**162**	
	Property, plant and equipment, non-current assets, goodwill and intangibles	**1 048**	151
	Net assets disposed	**2 590**	668
	Outstanding receivable from buyer	**(170)**	
	Less: Non-cash translation reserves realised on disposal of foreign subsidiaries	**(1 502)**	
	Profit/(loss) on disposal	**1 586**	(9)
	Investment in joint venture		(301)
	Net cash proceeds on disposal of subsidiaries	**2 504**	358
	Bank balances and cash in subsidiaries disposed	**(162)**	
	Proceeds on disposal of investments and intangibles		21
	Cash proceeds on disposal of subsidiaries, investments and intangibles	**2 342**	379

The net cash proceeds on disposal of subsidiaries arises from the sale of the Equipment Iberia business for R2.5 billion (€163 million) during June 2018.

Summarised notes to the consolidated financial statements continued

for the year ended 30 September

6. DISCONTINUED OPERATION AND ASSETS CLASSIFIED AS HELD FOR SALE

Due to its significance, Equipment Iberia business segment was classified as a discontinued operation as 30 September 2017. The sale of this business segment was concluded during June 2018.

	Audited 2018 Rm	Audited 2017 Rm
Revenue	**3 337**	4 076
Operating profit before items listed below (EBITDA)	**215**	58
Depreciation	**(72)**	(121)
Amortisation of intangible assets	**(7)**	(14)
Operating profit/(loss)^	**136**	(77)
Finance costs	**(2)**	(9)
Income from investments		1
Profit/(loss) before non-operating and capital items	**134**	(85)
Non-operating and capital items	**9**	
Profit/(loss) before taxation	**143**	(85)
Taxation	**(29)**	(51)
Profit/(loss) after taxation	**114**	(136)
Loss from associates#	**(67)**	(133)
Profit/(loss) from discontinued operations	**47**	(269)
Net profit on disposal of discontinued operations*	**1 600**	
Profit/(loss) discontinued operations per income statement	**1 647**	(269)

^ *Operating loss at 30 September 2017 included restructuring costs at R137 million (€9.1 million).*

Loss from associates includes an impairment of investment of R47 million (2017: R78 million).

* *Net profit on disposal of Equipment Iberia includes R1.5 billion that relates to recycle of the foreign currency translation reserves since acquisition.*

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

	Audited 2018 Rm	Audited 2017 Rm
The cash flows from the discontinued operation are as follows:		
Cash flows from operating activities	**129**	381
Cash flows from investing activities	**(31)**	(65)
Cash flows from financing activities	**(6)**	(326)
The major classes of assets and liabilities classified as held for sale are as follows:		
Property, plant and equipment	**253**	1 131
Investments		97
Long-term financial assets		9
Deferred tax assets	**18**	166
Intangible assets	**2**	42
Inventories	**37**	823
Trade and other receivables***	**168**	973
Cash balances	**19**	102
Assets classified as held for sale	**497**	3 343
Interest-bearing long-term loans		(33)
Trade and other payables – short and long term**	**(125)**	(637)
Deferred tax liability		(2)
Provisions		(125)
Bank overdraft	**(1)**	
Total liabilities associated with assets classified as held for sale	**(126)**	(797)
Net assets classified as held for sale	**371**	2 546
Per business segment:		
Equipment Iberia		2 424
Logistics Middle East	**278**	122
Corporate division	**93**	
Total group	**371**	2 546

*** *Include financial assets of R63 million (2017: R798 million).*

** *Include financial liabilities measured at amortised cost of R83 million (2017: R369 million)*

Following a detailed strategic review of the various operations within the Logistics business, management has taken the firm decision to sell the KLL and SmartMatta businesses. In the prior year, the Logistics Middle East operations were classified as held for sale and positive steps have been made to dispose of this business in the year. Based on progress in the year and developments subsequent to year end, management is confident that this sale will take place in 2019, failing which a reassessment of this classification will be made. These assets do not constitute a major line of business and have therefore not been classified as discontinued operations.

The net 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.

Summarised notes to the consolidated financial statements continued

for the year ended 30 September

	Audited 2018 Rm	2017 Rm
7. FINANCIAL INSTRUMENTS		
Carrying value of financial instruments by class:		
Financial assets:		
Trade receivables		
– Industry	**6 124**	5 429
– Government	**902**	438
– Consumers	**543**	403
Other loans and receivables and cash balances	**9 120**	5 732
Finance lease receivables	**459**	499
Derivatives (including items designated as effective hedging instruments)		
– Forward exchange contracts	**1**	42
Other financial assets at fair value	**278**	49
Total carrying value of financial assets	**17 427**	12 592
Financial liabilities:		
Trade payables		
– Principals	**2 925**	3 336
– Other suppliers	**3 734**	5 234
Other non-interest-bearing payables	**490**	435
Derivatives (including items designated as effective hedging instruments)		
– Forward exchange contracts	**35**	
– Other derivatives	**9**	5
Interest-bearing debt measured at amortised cost	**13 920**	9 134
Total carrying value of financial liabilities	**21 113**	18 144

7. FINANCIAL INSTRUMENTS continued

Fair value measurements recognised in the statement of financial position

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

	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Financial assets designated at fair value through profit or loss			**55**	**55**
Available-for-sale financial assets				
Shares			**5**	**5**
Derivative assets designated as effective hedging instruments		**1**		**1**
Total		**1**	**60**	**61**
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss		**9**		**9**
Derivatives		**35**		**35**
Total		**44**		**44**

	2017			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Financial assets designated at fair value through profit or loss			49	49
Available-for-sale financial assets				
Shares			5	5
Derivative assets designated as effective hedging instruments		42		42
Total		42	54	96
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	5			5
Total	5			5

Summarised notes to the consolidated financial statements continued

for the year ended 30 September

		Audited	
		2018 Rm	2017 Rm
8.	**DIVIDENDS**		
	Ordinary shares		
	Final dividend No 178 paid on 15 January 2018: 265 cents per share (2017: No 176 – 230 cents per share)	**564**	489
	Interim dividend No 179 paid on 11 June 2018: 145 cents per share (2017: No 177 – 125 cents per share)	**308**	266
	Paid to Barloworld Limited shareholders	**872**	755
	Paid to non-controlling interest	**81**	48
		953	803
	Dividends per share (cents)	**462**	390
	– interim (declared May)	**145**	125
	– final (declared November)	**317**	265
9.	**CONTINGENT LIABILITIES**		
	Performance guarantees given to customers, other guarantees and claims		
	From continuing operations	**872**	578
	From discontinued operations		207
	Total group	**872**	785
	Buy-back and repurchase commitments not reflected on the statement of financial position		
	From continuing operations	**94**	102
	From discontinued operations		24
	Total group	**94**	126

During 2018 the Barloworld Equipment division entered into a 25% Risk Share Agreement with Caterpillar Financial in South Africa and Portugal. 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 2018 the maximum exposure of this guarantee was estimated to be R278 million.

In October 2017, the Barloworld Equipment South Africa (BWE SA) business received notification from the Competition Commission that it is investigating a complaint against the Contractors Plant Hire Association of which Barloworld Equipment was a member. The matter is ongoing but no action has been taken by the Competition Authorities.

The company and its subsidiaries are continuously subject to various tax and customs audits in the territories in which they operate. While in most cases the companies are able to successfully defend the tax positions taken, the outcomes of some of the audits are being disputed. Where, based on our own judgement and the advice of external legal counsel, we believe there is a probable likelihood of the group being found liable, adequate provisions have been recognised in the financial statements. The Namibian Directorate Customs and Excise performed an audit on the import and export records of Barloworld's rental business in-country. Resulting from this audit, the company received notice of the Directorate Customs and Excise's intention to impose a penalty relating to the immediate availability of certain original customs documentation. This matter is ongoing.

At the date of this report, management were unable to conclude on the possible outcome of certain tax and customs matters, nor could management reliably measure the potential financial impact at this stage.

	Audited	
	2018 Rm	2017 Rm
10. COMMITMENTS		
Capital expenditure commitments to be incurred:		
Contracted – Property, plant and equipment	**340**	566
Contracted – Vehicle rental fleet	**1 131**	1 259
Approved but not yet contracted	**216**	168
Total continuing operations	**1 687**	1 993
Discontinued operations		24
Total group	**1 687**	2 017
Share of joint ventures' capital expenditure commitments to be incurred:		
Approved but not yet contracted	**135**	
	135	

Commitments will be spent substantially in the next financial year. Capital expenditure will be financed with funds generated by the business, existing cash resources and borrowing facilities available to the group.

11. RELATED PARTY TRANSACTIONS

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

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

Summarised notes to the consolidated financial statements continued

for the year ended 30 September

12. AUDIT OPINION

Independent auditor's report on summarised financial statements

To the Shareholders of Barloworld Limited

Opinion

The summarised consolidated financial statements of Barloworld Limited, which comprise the summarised consolidated statement of financial position as at 30 September 2018, the summarised consolidated income statement, the summarised consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Barloworld Limited for the year ended 30 September 2018.

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

Summarised consolidated financial statements

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

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 16 November 2018. That report also includes the communication of key audit matters as reported in the auditor's report of the audited financial statements.

Directors' responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summarised 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 consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

12. AUDIT OPINION continued

Auditor's responsibility

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

The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

We have not audited future financial performance and expectations by management included in the accompanying summarised consolidated financial statements and accordingly do not express any opinion thereon.

Deloitte & Touche

Registered Auditors

Per: Bongisipho Nyembe

Partner

16 November 2018

Building 1 and 2

Deloitte Place

The Woodlands

Woodlands Drive

Woodmead Sandton

13. EVENTS AFTER THE REPORTING PERIOD

On 15 November 2018 the board approved a proposed B-BBEE transaction to be known as "Khula Sizwe". This proposed transaction seeks to have participation from our employees, management and the general public in South Africa. The proposed transaction is subject to the approval by shareholders and will be voted on at the annual general meeting scheduled for February 2019.

Summarised notes to the consolidated financial statements continued

for the year ended 30 September

14. OPERATING SEGMENTS (AUDITED)

	Revenue		Operating profit/ (loss)	
	Year ended 30 September		Year ended 30 September	
	2018 Rm	2017 Rm	**2018 Rm**	2017 Rm
Equipment and Handling	**27 686**	24 193	**2 574**	2 362
Automotive and Logistics	**35 733**	37 764	**1 963**	1 848
Corporate	**1**	2	**(133)**	(128)
Total group	**63 420**	61 959	**4 404**	4 082

Fair value adjustments on financial instruments Year ended 30 September		Operating profit/(loss) including fair value adjustments Year ended 30 September		Net operating assets/(liabilities) Year ended 30 September	
2018 Rm	2017 Rm	**2018 Rm**	2017 Rm	**2018 Rm**	2017 Rm
(84)	(184)	**2 490**	2 178	**14 902**	15 534
(19)	(6)	**1 944**	1 842	**10 296**	10 757
(30)	(19)	**(163)**	(147)	**(1 159)**	(1 709)
(133)	(209)	**4 271**	3 873	**24 039**	24 582

Salient features

for the year ended 30 September

	Audited	
	2018	2017
Financial		
Group headline earnings per share (cents)	**1 192**	883
Continuing headline earnings per share (cents)	**1 151**	975
Return on invested capital (ROIC) (%)	**12.3**	11.2
Free cash flow	**3 591**	3 405
Economic profit	**(48)**	(476)
Dividend per share (cents)	**462**	390
Continuing operating margin (%)	**6.9**	6.6
Continuing net asset turn (times)	**2.1**	2.2
Continuing EBITDA/interest paid (times)	**5.9**	5.0
Continuing net debt/equity (%)	**14.4**	27.6
Continuing return on net operating assets (RONOA) (%)	**20.9**	16.4
Continuing return on ordinary shareholders' funds (%)	**11.4**	10.5
Net asset value per share including investments at fair value (cents)	**10 453**	9 533
Number of ordinary shares in issue (000)	**212 693**	212 693
Non-financial*#		
Non-renewable energy consumption (GJ)	**2 947 696**	3 087 269
Greenhouse gas emissions (tCO_2e)∆	**257 650**	270 707
Water withdrawals (municipal sources) (ML)	**588**	674
Number of employees	**17 417**	18 085
Lost-time injury frequency rate (LTIFR)†	**0.69**	0.75
Number of work-related fatalities	**2**	3
Corporate social investment (R million)	**16**	18
dti^ B-BBEE rating (level)+	**4**	3

* *Continuing operations.*
\# *Deloitte & Touche have issued an unmodified limited assurance report on the non-financial salient features included above, in accordance with International Standard 3000 (Revised) on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.*
∆ *Scope 1 and 2.*
† *Lost-time injuries multiplied by 200 000 divided by total hours worked.*
^ *Department of Trade and Industry (South Africa).*
\+ *Audited and verified by Empowerdex.*

	Closing rate		Average rate	
Exchange rates (Rand)	**2018**	2017	**2018**	2017
United States Dollar	**14.15**	13.50	**13.01**	13.39
Euro	**16.44**	15.96	**15.48**	14.83
British Sterling	**18.45**	18.12	**17.53**	17.03

Exchange rates used:

Balance sheet – closing rate (Rand)

Income statement and cash flow statement – average rate (Rand)

Barloworld Limited

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