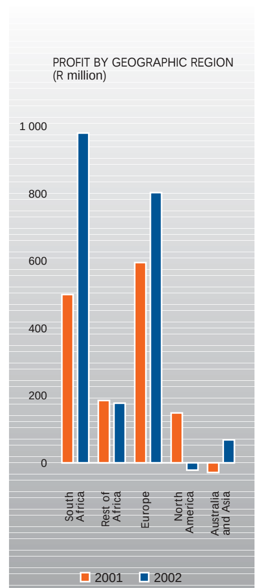
Barloworld
Leading brands

Barloworld Limited

Audited results
for the year ended 30 September 2002

Strong growth in our centenary year

Revenue	R35 999 million	+29%
Operating profit	R2 067 million	+39%
Cash flow from operations	R2 209 million	+49%
Earnings per share (excluding exceptional items)	592 cents	+31%
Headline earnings per share	622 cents	+25%
Net asset value per share (including investments at fair value)	5 872 cents	+23%
Total ordinary dividend per share	275 cents	+25%
Special centenary dividend per share	100 cents	



Strong growth in our centenary year

Revenues grew 29% to R35 999 million during the period under review. Trading conditions in Europe and Australia were good, and in South Africa markets improved. By contrast, demand for our products and services in the United States remained depressed and business in the rest of Africa slowed slightly.

Operating profit rose 39% to R2 067 million. All business segments improved their results except Industrial Distribution and Scientific Products, both of which have major operations in the United States and suffered from the prevailing recessionary conditions. Operating margins increased from 5,3% to 5,7% despite the impact of lower profits in the United States.

Our operations outside South Africa accounted for 51% of segmental profits including associate income (2001: 64%).

Cash flow from operations was strong, rising 49% to R2 209 million. This was driven by our management focus on maximising cash flow returns in our businesses.

Taxation rose from R383 million to R636 million. The effective tax rate excluding exceptional items, Secondary Tax on Companies (STC), and goodwill amortisation increased to 28,5% (2001: 24,5%), with the prior period being favourably impacted by a release of over provisions.

Exceptional profits of R369 million included profits on the sale of properties, investments and subsidiaries and the realisation of translation reserves on the liquidation of offshore subsidiaries, partially offset by impairment losses and provision for pension fund closure costs. This compares with exceptional costs of R278 million in 2001 which were primarily impairment losses.

Earnings per share excluding exceptional items rose 31% to 592 cents. Approximately 72 cents per share (12%) of earnings arose from translation of profits from our offshore businesses as a result of the weakening rand.

Headline earnings per share rose 25% to 622 cents. This growth was achieved notwithstanding the once-off impact of the R100 million (R70 million net of tax) provision for the pension fund closure costs that adversely affects headline earnings.

The balance sheet remains healthy and total assets rose by R5 151 million from 30 September 2001, due primarily to replacement and expansion capital expenditure, increases in rental assets, acquisition of subsidiaries and investments, and the impact of the weakening currency on international assets.

Net asset value per share including investments at fair value rose to 5 872 cents compared with 4 774 cents at 30 September 2001.

The directors have declared a final dividend of 185 cents per share (2001: 145 cents) resulting in a 25% increase in the total ordinary dividends declared for the year to 275 cents (2001: 220 cents). A special centenary dividend amounting to 100 cents per share has also been declared.

Segmental review

VBM delivers operational improvements throughout the company

The implementation of Value Based Management (VBM) throughout the company is a key driver of increased cash flow, profit and value creation. VBM makes every management team within Barloworld focus on creating value for all stakeholders and is a long-term strategic programme. The benefits of the many VBM-driven initiatives within the organisation are reflected throughout these results and will continue to increase value as we profitably grow our businesses into the future.

* *The segment profit stated in the following tables includes operating profit, fair value adjustments on financial instruments and goodwill amortisation but is calculated before investment income, interest paid and taxation. The prior year numbers have been restated to include goodwill amortisation as to ensure comparability.*

Capital Equipment

Year ended 30 September	Revenue		Segment profit*		Net assets	
R million	**2002**	2001	**2002**	2001	**2002**	2001
Europe	**6 472**	4 629	**553**	415	**1 777**	1 518
South Africa	**2 790**	2 065	**88**	73	**1 197**	749
Rest of Africa	**868**	1 266	**103**	130	**190**	377
	10 130	7 960	**744**	618	**3 164**	2 644
Share of associate income			–	(3)		

In Europe, activity levels remained high against a background of the continuing public sector infrastructure investment programme in Spain with a slowdown evidenced in Portugal. The developing Siberian business continued to make satisfactory progress. Total revenues in Europe rose by 40% and profits by 33%.

Activity levels rose in South Africa as a result of growth in the mining industry and for the first time since 1996, an improvement in the construction sector. The Smart Partnership™ strategy resulted in further growth in long-term contract business. Profits in South Africa rose 21% as costs were well contained.

In Rest of Africa, both Botswana and Namibia continued to perform well while the business climate in Angola improved. This was offset by lower activity levels in Zambia resulting in a lower profit contribution.

Industrial Distribution

Year ended 30 September R million	Revenue **2002**	 2001	Segment profit* **2002**	 2001	Net assets **2002**	 2001
Europe	**2 202**	1 684	**95**	75	**946**	728
North America	**3 812**	3 367	**28**	86	**1 545**	1 527
	6 014	5 051	**123**	161	**2 491**	2 255
Share of associate income			**–**	(8)		

In Europe, the operations in the United Kingdom and Belgium generated a 27% profit improvement as a result of an excellent second half in the United Kingdom with good order intake.

In North America, United States materials handling equipment demand declined further as capital spending remained constrained by the recession and new lift truck deliveries fell 26%. The business environment also affected Barloworld Freightliner where new truck demand was flat compared with 2001.

Lower volumes overall, combined with restructuring charges following staff reductions, resulted in substantially lower profits for the region.

Motor

Year ended 30 September R million	Revenue **2002**	 2001	Segment profit* **2002**	 2001	Net assets **2002**	 2001
South Africa	**6 851**	5 805	**146**	79	**799**	735
Rest of Africa	**357**	281	**10**	7	**24**	30
Australia	**1 656**	460	**28**	7	**472**	414
	8 864	6 546	**184**	93	**1 295**	1 179
Share of associate income			**46**	29		

Revenue grew 18% in South Africa as a result of increased market share and exchange rate-led price increases. Substantial margin and cost control improvements saw profits rise 85%.

In Rest of Africa (Botswana and Namibia) the profits grew 43% on revenue growth of 27%.

In Australia, the business benefited from both a buoyant market and the additional business flowing from the dealerships acquired in the period July to September 2001 and profits quadrupled. The underperforming Mitsubishi dealerships were sold in July 2002.

The overall segmental operating margin showed a strong improvement from 1,4% to 2,1% and profits doubled.

Share of associate income grew strongly as a result of a good performance from Avis Southern Africa Limited (26% owned).

Cement & Lime

Year ended 30 September R million	Revenue **2002**	 2001	Segment profit* **2002**	 2001	Net assets **2002**	 2001
South Africa	**2 226**	1 771	**586**	406	**2 591**	2 106
Rest of Africa	**345**	199	**44**	39	**635**	117
	2 571	1 970	**630**	445	**3 226**	2 223
Share of associate income			**34**	24		

South African cement demand increased strongly in the second half of the year and exports grew, while lime sales were unchanged. Continued cost reduction and efficiency improvements resulted in a 44% rise in profits as revenues rose 26%.

The Rest of Africa included the contribution from Porthold in Zimbabwe, which was acquired in October 2001. While Zimbabwe and Botswana cement demand was buoyant, the imposition of price controls by the government of Zimbabwe adversely impacted profitability.

Scientific Products

Year ended 30 September R million	Revenue **2002**	 2001	Segment profit* **2002**	 2001	Net assets **2002**	 2001
Europe	**1 459**	903	**57**	68	**1 171**	929
North America	**720**	724	**(52)**	60	**601**	450
Asia	**157**	178	**4**	8	**133**	127
	2 336	1 805	**9**	136	**1 905**	1 506

In Europe, the Laboratory business performed strongly in a stable trading environment with excellent progress made in integrating the four businesses acquired from Protean Plc. However, this was offset by greatly reduced demand from the telecommunications sector for our Melles Griot laser and optics products and as a result, profits were lower.

In the United States, the decline in the semiconductor and telecommunications sectors caused a sharp reduction in sales volumes and the first half losses in the Melles Griot laser and photonics business continued, albeit at a slower rate. The restructuring of the business continued and significant cost economies have been achieved through the consolidation of the Irvine operations into the larger facility in Carlsbad.

Coatings

Year ended 30 September R million	Revenue **2002**	 2001	Segment profit* **2002**	 2001	Net assets **2002**	 2001
South Africa	**1 071**	911	**78**	43	**445**	395
Rest of Africa	**114**	85	**14**	8	**23**	22
Australia and Asia	**1 235**	796	**36**	(44)	**312**	293
Europe	**81**	98	**3**	4	**16**	21
	2 501	1 890	**131**	11	**796**	731
Share of associate income			**28**	7		

In South Africa, a good result was achieved as the markets for decorative coatings and automotive coatings grew, efficiency improvements continued and margins rose, converting an 18% revenue growth into an 81% profit increase.

Operations in the Rest of Africa countries also enjoyed better trading conditions and higher profits.

In Australia, higher revenues and continued progress in all aspects of the business including better margins and lower costs resulted in a strong turnaround to profitability.

The UK business traded profitably until it was sold in June 2002.

Share of associate income grew strongly as a result of good performances from all of the joint ventures that operate in the industrial coatings markets.

Steel Tube

Year ended 30 September R million	Revenue **2002**	 2001	Segment profit* **2002**	 2001	Net assets **2002**	 2001
South Africa	**1 720**	1 343	**84**	9	**486**	419
Share of associate income			**11**	7		

In the first half of the financial year international dollar prices of steel rose from their lowest levels in many years and ended the year some 15% above their long-term average. The rand prices rose faster as a result of a rapidly weakening currency, particularly in the early part of the year. Demand for steel products in South Africa rose.

These factors led to a less hostile market environment that, together with substantial improvements in productivity and increased exports, produced the best result for the business since the South African fixed investment boom of 1996.

Financial Services, Logistics and Other

Year ended 30 September R million	Revenue **2002**	 2001	Segment profit* **2002**	 2001	Net assets **2002**	 2001
Leasing	**862**	629	**77**	(2)	**4 992**	3 455
Logistics and Other	**1 001**	751	**24**	(72)	**1 502**	1 895
	1 863	1 380	**101**	(74)	**6 494**	5 350

The leasing operations returned to profitability following the normalisation of bad debt levels in the capital equipment leasing book in South Africa. The total leasing book grew to R5,2 billion (R3,6 billion at 30 September 2001), driven primarily by growth in Europe and the United States.

The Logistics businesses in both Spain and South Africa traded profitably.

The balance of Logistics and Other includes the UK paper business, corporate operations in the United Kingdom and South Africa, and shared services such as treasury, risk management and information technology.

Segmental summary

Year ended 30 September R million	Revenue 2002	Revenue 2001	Segment profit* 2002	Segment profit* 2001	Income from associates† 2002	Income from associates† 2001	Net assets 2002	Net assets 2001
Capital Equipment	**10 130**	7 960	**744**	618		(3)	**3 164**	2 644
Industrial Distribution	**6 014**	5 051	**123**	161		(8)	**2 491**	2 255
Motor	**8 864**	6 546	**184**	93	**46**	29	**1 295**	1 179
Cement & Lime	**2 571**	1 970	**630**	445	**34**	24	**3 226**	2 223
Scientific Products	**2 336**	1 805	**9**	136			**1 905**	1 506
Coatings	**2 501**	1 890	**131**	11	**28**	7	**796**	731
Steel Tube	**1 720**	1 343	**84**	9	**11**	7	**486**	419
Financial Services, Logistics and Other	**1 863**	1 380	**101**	(74)			**6 494**	5 350
	35 999	27 945	**2 006**	1 399	**119**	56	**19 857**	16 307
Less: Gains on financial instruments			**(55)**	–				
Add: Goodwill amortisation			**116**	88				
Operating profit			**2 067**	1 487				

** Segment profit includes operating profit, fair value adjustments on financial instruments and goodwill amortisation, but is calculated before investment income, interest paid and taxation*

† Includes dividends from associates and share of retained income.

Acquisitions and disposals

The more significant acquisitions during the year included Portland Holdings in Zimbabwe through Pretoria Portland Cement Company Limited (PPC) for R428 million; 1 518 153 additional shares in PPC (now 66% owned) for R98 million; a Sterling Truck dealership in Memphis, Tennessee, through the purchase of its stock for R9 million; 50% of Execulink and 100% of Supply Chain Solutions (SCS), both Logistics companies, for R10 million and R16 million respectively; 10,83% of Energyst, a company dedicated to the rental of Caterpillar generator sets in Europe for R33 million and 50% of Finaltair, a joint venture to exploit the production and sale of energy in Europe for R25 million.

Disposals included PPC's 32,9% stake in Natal Portland Cement to the Portuguese cement company Cimpor-Cimentos de Portugal SPGS, SA for R328 million, PPC's 25% stake in Ash Resources for R8 million; our 50% share in steel trading company Stemcor (South Africa) for R13 million; the Australian Mitsubishi motor dealerships for R16 million and the business of Plascon International in the United Kingdom. The disposal of the steel distribution branches of Robor Stewarts and Lloyds was substantially completed.

Prospects

We remain focused on value creation for all stakeholders and will continue to build our success on a platform of Value Based Management. This has been the key driver in improving our underlying profitability in all phases of the business cycle over the past three years.

While the global outlook remains uncertain, South Africa is showing encouraging signs of economic growth translating into fixed capital formation which should benefit our businesses and we look forward to another year of good progress in 2003.

W A M Clewlow
Chairman

A J Phillips
Chief Executive Officer

D C Arnold
Director, Finance and Administration

13 November 2002

Income statement

For the year ended 30 September 2002 R million	2002	2001	% change
Revenue	**35 999**	27 945	29
Operating profit	**2 067**	1 487	39
Finance costs	**(346)**	(305)	
Income from investments	**253**	254	
Goodwill amortisation	**(116)**	(88)	
Profit before exceptional items	**1 858**	1 348	38
Exceptional items	**369**	(278)	
Profit before taxation	**2 227**	1 070	108
Taxation	**636**	383	
Profit after taxation	**1 591**	687	132
Income from associates	**119**	31	
Minority interests	**(207)**	(101)	
Net profit	**1 503**	617	144
Weighted average number of ordinary shares in issue during the year (000) – basic	**195 284**	195 613	
Net profit per share (cents)			
– basic	**770**	316	144
– fully diluted	**751**	311	141
Earnings per share excluding exceptional items (cents)			
– basic	**592**	452	31
– fully diluted	**579**	444	30
Headline earnings per share (cents)	**622**	499	25
Dividends per share (cents)	**275**	220	25
– interim	**90**	75	
– final	**185**	145	
Special centenary dividend per share (cents)	**100**	–	

Balance sheet

At 30 September 2002 R million	2002	2001
ASSETS		
Non-current assets	**13 872**	10 714
Property, plant and equipment	**7 811**	6 053
Other non-current assets	**971**	819
Goodwill and intangible assets	**1 657**	1 530
Investment in associates and joint ventures	**373**	332
Finance lease receivables	**2 675**	1 723
Deferred tax assets	**385**	257
Current assets	**13 225**	11 232
Inventories	**5 895**	4 771
Trade and other receivables	**5 509**	4 641
Taxation	**67**	39
Cash and cash equivalents	**1 754**	1 781
Total assets	**27 097**	21 946
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital and premium	**682**	682
Non-distributable reserves	**3 789**	2 319
Retained income	**6 727**	6 059
Equity portion of convertible bond	**36**	17
Interest of shareholders of Barloworld Limited	**11 234**	9 077
Minority interest	**791**	625
Interest of all shareholders	**12 025**	9 702
Non-current liabilities	**5 195**	3 845
Interest-bearing	**3 248**	2 411
Deferred tax liabilities	**617**	318
Convertible bond	**263**	225
Non-interest bearing	**1 067**	891
Current liabilities	**9 877**	8 399
Amounts due to bankers and short-term loans	**3 677**	3 586
Taxation	**479**	361
Trade and other payables	**5 168**	4 113
Provisions	**553**	339
Total equity and liabilities	**27 097**	21 946

Cash flow statement

For the year ended 30 September 2002 R million	**2002**	2001
Cash available from operations	**2 209**	1 487
Dividends paid (including outside shareholders)	**(649)**	(436)
Net cash flow from operating activities	**1 560**	1 051
Net cash used in investing activities	**(1 793)**	(2 004)
Acquisition of subsidiaries and investments	**(431)**	(1 018)
Buy-back of Barloworld shares	**–**	(90)
Acquisition of property, plant and equipment:		
– replacement	**(871)**	(629)
– expansion	**(410)**	(40)
– rental assets	**(1 041)**	(654)
Proceeds on disposal of property, plant and equipment, subsidiaries, investments, and other movements	**960**	427
Net cash outflow before financing activities	**(233)**	(953)
Net cash (used in)/from financing activities	**(24)**	1 625
Net (decrease)/increase in cash and cash equivalents	**(257)**	672
Cash and cash equivalents at beginning of year	**1 781**	944
Effect of foreign exchange rate movements	**230**	165
Cash and cash equivalents at end of year	**1 754**	1 781

Statement of changes in equity

For the year ended 30 September 2002 R million	2002	2001
Interest of Barloworld Limited shareholders at beginning of year		
– As previously reported	**9 077**	7 898
– Adjustment to opening balance on first time adoption of IAS39	**(16)**	
– As restated	**9 061**	7 898
Net movements not recognised in income statement	**1 160**	943
Buy-back of Barloworld shares		(90)
Exchange gains on translation of foreign entities	**1 359**	993
Translation reserve realised on liquidation of offshore subsidiaries	**(201)**	
Increase in fair value of hedging instruments	**7**	
Hedge reserve movement	**(11)**	
Increase in other reserves	**6**	40
Net movements recognised through the income statement	**1 013**	236
Hedge reserve released to income	**(30)**	
Reserve released on disposal of available for sale investments	**(1)**	
Net profit for the year	**1 503**	617
Dividends on ordinary shares	**(459)**	(381)
Interest of Barloworld Limited shareholders at end of year	**11 234**	9 077

Other group salient features

For the year ended 30 September 2002 R million	**2002**	2001
Number of ordinary shares in issue, net of buy-back (000)	**195 284**	195 284
Net asset value per share including investments at fair value (cents)	**5 872**	4 774
Total liabilities to total shareholders' funds (%)	**120**	123
Total borrowings to total shareholders' funds		
– gross excluding leasing operations (%)	**23,3**	31,1
– gross including leasing operations (%)	**59,8**	64,1
Interest cover		
– gross excluding leasing operations (times)	**6,1**	5,4
– gross including leasing operations (times)	**3,8**	3,3

Notes

For the year ended 30 September 2002 R million	**2002**	2001
1. Net profit excluding exceptional items		
Net profit attributable to ordinary shareholders	**1 503**	617
Impairment losses	**131**	207
Profit on disposal of properties, investments and subsidiaries	**(352)**	(6)
Realisation of translation reserve on liquidation of offshore subsidiaries	**(201)**	
Provision for pension fund closure costs	**100**	
Gain arising on PPC share issue to acquire Portland Holdings	**(60)**	
Other	**3**	64
	(379)	265
Attributable exceptional items of associates (impairment losses)	**10**	13
Gross exceptional (profits)/losses	**(369)**	278
Taxation	**(32)**	3
Interest of outside shareholders	**54**	(14)
Net exceptional (profits)/losses	**(347)**	267
Net profit excluding exceptional items	**1 156**	884
2. Reconciliation to headline earnings		
Net profit excluding exceptional items	**1 156**	884
Provision for pension fund closure costs (net of deferred tax)	**(70)**	
Goodwill amortisation	**116**	88
Interest in associate goodwill amortisation	**11**	
Loss on sale of plant and equipment (excluding rental assets)	**1**	4
Headline earnings	**1 214**	976
3. Contingent liabilities		
Guarantees and claims	**394**	300

4. Accounting policies and disclosures

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), previously referred to as International Accounting Standards (IAS), on a basis consistent with the previous year, except for the adoption of IAS 39 Financial Instruments: Recognition and Measurement and IAS 40 Investment Properties, which have been applied for the first time during the year under review. There has been no material impact on earnings per share as a result of the adoption of these Standards.

In the current year, the financial statements reflect the long term loan made by the PPC Group to Saldanha Steel separately from the capitalised lease liability relating to the leased facilities at Saldanha. In the prior year the loan and liability were subject to set-off with only the net liability being shown. If a similar disclosure had been applied in 2001, it would have resulted in an increase in non-current assets of R111,9 million and a corresponding increase in non-current liabilities. No changes to comparatives have been made as the impact on the financial statements is not considered material.

In the current year, dividends received from associates and joint ventures have been included with income from associates on the face of the Income statement, whereas they were previously disclosed under Income from investments. No changes to Income statement comparatives have been made as there is no impact on reported earnings per share.

5. Post-balance sheet event

Agreement has been reached for the sale of the third party South African motor vehicle finance book to Wesbank, a division of FirstRand Bank Limited, for an estimated gross consideration of R830 million. The final consideration will be determined by the value of the finance contracts at the effective date. The deal will be effective on the first day of the month following granting of approval by the competition authorities. Proceeds from the sale will be used to retire the external debt used to fund the leases and will have a positive impact on the gearing of the Group balance sheet.

6. Audit opinion

Deloitte & Touche has provided an unqualified audit opinion on the financial statements for the year. These have been approved by the board and abridged for purposes of this report. Both the auditors' opinion and the financial statements are available for inspection at the company's registered office.

Dividend declaration

Dividend numbers 146 and 147

Notice is hereby given that the following dividends have been declared in respect of the year ended 30 September 2002:

– Number 146 (final dividend) of 185 cents per ordinary share (2001: 145 cents per ordinary share)
– Number 147 (special centenary dividend) of 100 cents per ordinary share.

In compliance with the requirements of the JSE Securities Exchange South Africa, the following dates are applicable:

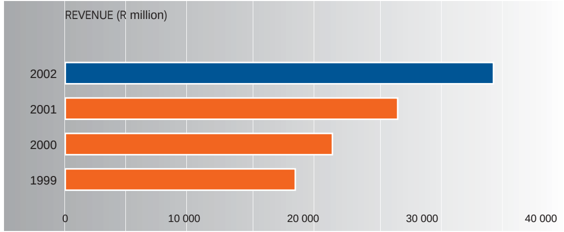
Last day to trade ordinary shares "CUM" dividend	Friday, 10 January 2003
Shares trade "EX" dividend	Monday, 13 January 2003
Record date	Friday, 17 January 2003
Payment date	Monday, 20 January 2003

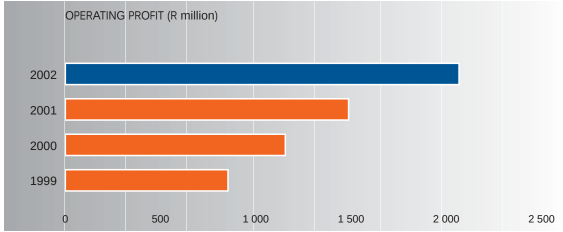
Share certificates may not be dematerialised or rematerialised between Monday, 13 January 2003 and Friday, 17 January 2003.

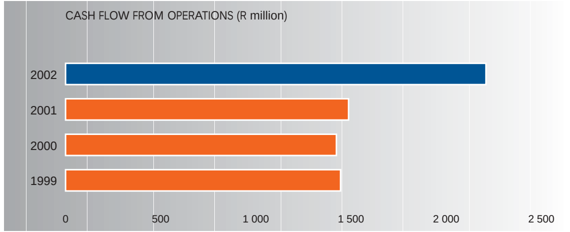
On behalf of the Board

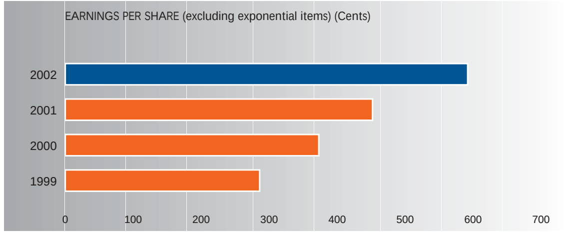
M J Barnett
Secretary

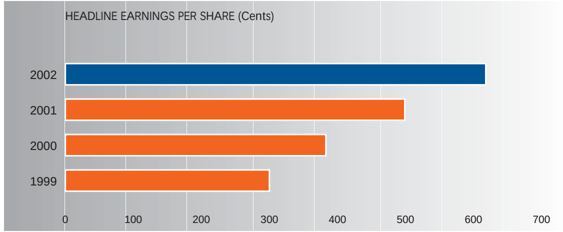
Sandton
13 November 2002

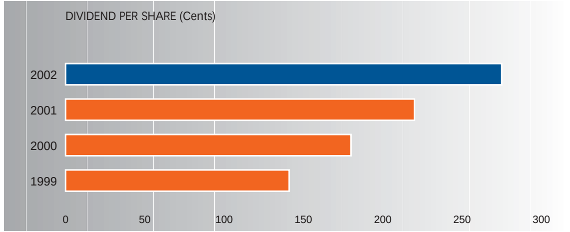

REVENUE (R million)
2002
2001
2000
1999
0
10 000
20 000
30 000
40 000


OPERATING PROFIT (R million)
2002
2001
2000
1999
0
500
1 000
1 500
2 000
2 500


CASH FLOW FROM OPERATIONS (R million)
2002
2001
2000
1999
0
500
1 000
1 500
2 000
2 500


EARNINGS PER SHARE (excluding exponential items) (Cents)
2002
2001
2000
1999
0
100
200
300
400
500
600
700


HEADLINE EARNINGS PER SHARE (Cents)
2002
2001
2000
1999
0
100
200
300
400
500
600
700


DIVIDEND PER SHARE (Cents)
2002
2001
2000
1999
0
50
100
150
200
250
300