

Barloworld Limited (Registration number 1918/000095/06)

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**Audited results for the year ended 30 September 2006**

**Strong second half delivers profit growth and record cash flows**

- **Headline earnings per share +32% to 1 171 cents**
- **Revenue +13% to R42 693 million**
- **Operating profit up 21% to R4 133 million**
- **Cash flow from operations +38% to R4 931 million**
- **Dividend +32% to 600 cents per share**

Tony Phillips, CEO of Barloworld, said:

“The positive result for the year under review has benefited from higher capital investment activity in the southern African economies. This has stimulated strong cement, motor vehicle and coatings demand. The equipment division has seen a significant increase in activity in both the construction and mining sectors, with continued high levels of activity in Spain.”

“Our offshore divisions have delivered positive results after recent restructuring initiatives, and the recovery in the scientific and Freightliner businesses is particularly pleasing.”

“We have a favourable outlook as the southern African capital investment cycle is gaining impetus, together with continued strong demand for our other products in the region. Further improvements are expected in the offshore businesses, and overall we expect to report another year of sustained progress in 2007.”

**20 November 2006**

**Enquiries**

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For background information visit [www.barloworld.com](http://www.barloworld.com)

## Chairman and Chief Executive's report

Our goal at Barloworld is sustainable value creation by focusing on a core group of businesses that demonstrate market leading characteristics. We continue to do this in three ways:

1. improve the performance of our businesses, as measured by Cash Flow Return on Investment (CFROI®);
2. grow our core businesses into new geographies, and
3. expand into complementary products and services

Barloworld's performance in 2006 reflects the ongoing favourable economic conditions in South Africa, boosted by growing capital investment in the southern African region. Positive growth in our offshore operations primarily reflects the benefits of restructuring undertaken in both the industrial distribution and scientific businesses.

We have achieved a seven year compound annual growth rate in headline earnings per share of 20.4% since the inception of Value Based Management (VBM) in 1999. Our real CFROI® has improved to 12.3% from 6.2% over this period and remains well above our real hurdle rate of 8%.

### **Strong second half delivers profit growth and record cash flows**

In southern Africa the equipment business, led by sales of Caterpillar equipment, had a significantly better year as the capital investment cycle accelerated in both the construction and mining industries. The cement business continued to grow strongly with sales volumes increasing by 17% during the financial year. Another year of record new vehicle sales benefited the motor division, along with a pleasing recovery in our rental rates in southern Africa which boosted the car rental result. The coatings business delivered another year of solid growth in revenue.

Our Iberian equipment business continues to generate satisfactory returns supported by ongoing public infrastructure investment in Spain. The Siberian joint venture comfortably exceeded its US\$100 million revenue target and remains an exciting growth business. The focus to improve the performance of some of the offshore businesses has delivered promising results. The US handling business had another year of strong growth, and the Truck Center significantly increased its contribution. The UK handling business, while down against the previous year, has shown a strong recovery trend through the year. The scientific division benefited from a reduced cost base and significantly improved profitability. The Scandinavian car rental result was pleasing after an adverse change in pricing policy by a major vehicle supplier in Sweden in the first half of the year. In Australia, the motor business has started to reflect the benefits of our dealership upgrade strategy.

The proposed acquisition of Wattyl was turned down by the Australian Competition and Consumer Commission (ACCC) and we are now pursuing options to restructure and down size our coatings business in Australia. We remain committed to the Asia-Pacific region and will continue to pursue a number of other avenues for expansion in the coatings and motor businesses.

A strong second half resulted in revenue growth of 13% for the full year and operating margin expansion to 9.7% (2005: 9.1%). Operating profits increased 21% to R4 133 million.

Headline earnings per share of 1 171 cents (2005: 888 cents) benefited from stronger operational results, positive fair value adjustments on forward cover contracts owing to the weaker rand and an accounting gain arising largely from a change in accounting policy for defined benefit pension funds in the UK. Net profit attributable to Barloworld Limited shareholders grew 27%.

Cash flows from operations remained strong at R4 931 million (2005: R3 576 million).

A final dividend of 450 cents per share (2005: 325 cents) was declared, resulting in the total dividend in respect of this year's earnings increasing by 32% to 600 cents per share (2005: 455 cents).

### **Corporate activity continues to enhance value**

In line with our goal of sustainable value creation, during the year under review we acquired the Avis and Budget car rental businesses in Denmark and the 50% of Avis Fleet Services that we did not already own. Prostart (automotive refinish coatings) and Midas Paints were also acquired.

We announced the sale of the steel tube business to the management team and an empowerment grouping, which remains subject to final signature on the funding agreements. We have sold the bulk of our US and UK handling leasing books to finance partners as we were unable to generate acceptable returns from pure finance business.

During the past six months we have repurchased 10 145 835 Barloworld ordinary shares at an average price of R113.97. The total cost of the share buyback program was R1 160 million.

We continue to review all our businesses in terms of their ability to generate the required sustainable real CFROI<sup>®</sup> hurdle rate of 8%.

### **Changes in Directorate**

Ms S Mkhabela was appointed to the board as an independent non-executive director on 27 January 2006 and Mr DG Wilson joined the board on 29 September 2006 and will succeed Mr CB Thomson as finance director. Mr LS Day, CEO of Barloworld Equipment will retire at the end of November 2006 and is succeeded by Mr CB Thomson. Mr MD Coward will resign to head the consortium which is acquiring the steel tube division.

### **Black Economic Empowerment**

Advisors have been appointed for the evaluation of various alternatives for a broad based black economic empowerment (BBBEE) equity transaction for the company. A committee of the board comprising the CEO and four non-executive directors will be making recommendations to the board when the advisors have completed their task.

### **A positive outlook**

In southern Africa, the equipment division should benefit from increased infrastructure and mining investment. While cement demand growth is expected to continue, albeit at a slower rate, revenue growth in the cement division will be limited by capacity constraints. In the motor division the improved rental rates will positively impact the car rental result, and the higher interest rate environment and new fleet business will boost the fleet services contribution. Vehicle retail sales growth is expected to slow due to the increased interest rates in South Africa. The coatings division will benefit from the integration of the new acquisitions.

Our Iberian Caterpillar business continues to deliver consistently good results. We expect continued growth in the US materials handling operations and a further improvement in the UK. By contrast the effect of the new emission standards in the US could impact Truck Center new unit sales during the early part of 2007. The positive trend in the scientific business is expected to continue.

The overall outlook for 2007 is favourable and we look forward to another year of good progress as the southern African capital investment cycle gains momentum with continued, albeit slower, growth in residential housing and vehicle retail sales. We have set a new medium-term goal of doubling the value of the company before the world cup of soccer comes to South Africa in 2010, and will continue to focus on enhancing returns and growing profits to achieve this objective.

**WAM Clewlow**  
Chairman

**AJ Phillips**  
Chief Executive Officer

#### **Group financial review**

Revenues increased by 13% to R42 693 million, with operating profit rising 21% to R4 133 million. Good growth was delivered in the southern African equipment division due to increasing infrastructure and mining expenditure while the cement business benefited from strong demand in the domestic building and construction industry. Operating results were also boosted by a reduction in UK pension liabilities discussed below.

The weakening of the rand against the US dollar in the second half of the year contributed to positive mark-to-market adjustments in the fair value of derivative financial instruments. In addition hedges concluded to protect the company against negative currency movements during the term of the offer to acquire Wattyl in Australia were closed out at a profit of R54 million when we allowed the offer to lapse.

In order to reduce earnings volatility resulting from fluctuations in foreign exchange rates, the company implemented hedge accounting for Caterpillar machine purchases for the southern African equipment business with effect from 1 June 2006. The effect of this change is that R140 million (R99 million after tax) in fair value adjustments which would otherwise have been included in income are now reflected in equity. Fair value adjustments continued to impact income in respect of the purchase of parts and other vehicle and equipment brands where hedge accounting has not yet been implemented.

Finance costs increased by R164 million to R605 million. This was mainly due to the acquisitions of Avis Denmark in November 2005 and the remaining 50% of Avis Fleet Services in April 2006. Interest cover remained strong at 5.8 times (2005: 6.0 times).

Income from investments increased to R273 million (2005: R198 million), due mainly to the refinancing by central treasury of the funding of Avis Fleet Services when the company became a wholly-owned subsidiary.

Taxation rose by 31% to R1 370 million in line with the higher profits. The effective taxation rate (excluding exceptional items, secondary tax on companies and prior year taxation) increased to 30.0% (2005: 29.0%).

Income from associates and joint ventures increased by R19 million to R72 million. The improvement was largely attributable to higher profits contributed by the Siberian joint venture in the equipment division and the motor division empowerment joint ventures.

Exceptional profits of R120 million (R2005: R7 million) included gains on disposal of properties, investments and subsidiaries of R143 million less impairments of goodwill and capital assets of R23 million.

Following the decision taken earlier this year to dispose of the steel tube division, this business has been reflected as a discontinued operation. The net loss of R112 million comprises an impairment of R156 million reduced by the after tax profits earned during the year of R44 million.

Net profit from continuing operations increased by 34% to R2 858 million (2005: R2 139 million), while headline earnings per share (HEPS) increased by 32% from 888 cents to 1 171 cents. This includes a benefit resulting from an accounting policy change and initiatives to address the UK pension deficits. In particular, the transition from a final pay plan to a career average revalued earnings (CARE) plan has reduced pension obligations by R149 million pre-tax (£10.5 million). In terms of IAS 19, this has been recognised in income in the current year.

Total assets grew by 25% to R35 654 million. The currency effect on translation of offshore net assets resulted in an increase in net assets of R1 832 million following the depreciation of the rand in the second half of the year.

Assets classified as held for sale increased to R2 840 million (2005: R180 million). The increase is mainly attributable to the pending sales of the steel tube division and the UK leasing assets.

Total interest-bearing borrowings of R9 884 million rose by R1 842 million in the year. The increased borrowings arose mainly due to the acquisitions referred to above, growth in fleet leasing and rental assets and capital expenditure. Borrowings in the three segments utilised in the group for gearing purposes are all within the defined target ranges as follows:

Total debt to equity (%)	Trading	Leasing	Car Rental	Total Group
Target range	30-50	600-800	200-300	

Ratio at 30 September 2006	32	689	233	73
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Cash flow from operations rose by 38% to R4 931 million. Working capital increased by R10 million while net cash used in investing activities amounted to R2 938 million.

The company acquired 10 145 835 ordinary shares during the year pursuant to its share buyback programme. A total of R1 160 million was expended in acquiring the shares at an average cost of R113.97 per share.

The company's balance sheet is strong and cash generation prospects remain good.

CB Thomson,  
Finance Director

## Operational reviews

*In the case of the leasing businesses, the operating profit is net of interest paid. Income from associates, which includes our share of earnings from joint ventures, is shown at the profit after taxation level.*

*Net operating assets comprise total assets less non-interest bearing liabilities. Cash is excluded as well as current and deferred tax assets and liabilities. In the case of leasing businesses, net assets are reduced by interest-bearing liabilities.*

*Comparatives have been restated as per note 9.*

### EQUIPMENT

R million	Revenue		Operating profit incl fair value adjustments		Net operating assets	
	Year ended 30 Sept		Year ended 30 Sept		30 Sept	
	2006	2005	2006	2005	2006	2005
- Europe	5 415	5 281	474	475	3 368	2 378
- Southern Africa	6 212	4 953	645	424	2 304	1 833
	<b>11 627</b>	10 234	<b>1 119</b>	899	<b>5 672</b>	4 211
Share of associate income			<b>27</b>	8		

The business arises mainly from our long standing relationship with Caterpillar Inc. as their dealer partner in 16 countries.

Revenue in Iberia increased 2.5% with flat operating profit due to machine margin pressures and costs incurred on employee early retirement programs. Construction remains the most dynamic sector within the Spanish economy, growing faster than the domestic economy. Long lead times for new equipment have resulted in increased demand for used equipment, with the certification and rebuild programmes being catalysts for growth. Service demand remains at a high level. Demand for power systems has been strong, but availability has dampened growth in this business.

In southern Africa, revenue growth of 25% resulted from increased sales of large mining and construction machines, together with stronger demand for our equipment management services that manifests itself in higher sales of parts, service and maintenance contracts. The segment result improved by 52%, boosted by a weakening rand, with operating margins before fair value adjustments lower at 8.1% (2005: 9.6%) due to new machines being a higher proportion of the sales mix. The construction sector was positively impacted by growing South African government infrastructure spending and commercial and industrial building developments. Strong demand for commodities has positively impacted our performance in the mining sector. Business continued to improve in our other southern African territories, especially Angola.

Our handling business improved market share in a growing market, although the delayed introduction of new Hyster product offerings impacted results. The agricultural business remains highly profitable and we achieved market leadership in both Massey Ferguson tractors and CLAAS harvesters.

Associate income increased strongly as our Siberian joint venture more than doubled revenue and profits. Siberia remains an area of vast potential for capital equipment and we are investing in our infrastructure in the region in order to be able to benefit from the expected growth. This year saw the opening of a new facility in Novosibirsk.

Customer orders at year end amounted to R4 849 million, R1 959 million higher than last year. Most of this order commitment will be delivered in the 2007 financial year in line with our customers' expectations. At year end we had orders placed on Caterpillar for equipment amounting to \$906 million, an increase of 67% from the previous year. Tyres for mining equipment are expected to remain in limited supply until 2009 and this may adversely impact deliveries of some products.

#### INDUSTRIAL DISTRIBUTION

R million	Revenue		Operating profit incl fair value adjustments		Net operating assets	
	Year ended 30 Sept		Year ended 30 Sept		30 Sept	
	2006	2005	2006	2005	2006	2005
- Europe	1 995	1 982	23	41	670	437
- North America	4 697	3 922	115	75	1 180	990
<b>Trading</b>	<b>6 692</b>	<b>5 904</b>	<b>138</b>	<b>116</b>	<b>1 850</b>	<b>1 427</b>
- Europe	257	367	33	66	309	261
- North America	96	98	( 25)	( 40)	( 17)	52
<b>Leasing*</b>	<b>353</b>	<b>465</b>	<b>8</b>	<b>26</b>	<b>292</b>	<b>313</b>
	<b>7 045</b>	<b>6 369</b>	<b>146</b>	<b>142</b>	<b>2 142</b>	<b>1 740</b>

\* Net operating assets after deducting interest-bearing borrowings.

The division experienced a period of very positive change, contrary to the marginal increase in profitability compared to the previous year.

The UK handling market fell 8.4% to 29 028 units. This was almost entirely in the lower price range warehousing market which in itself fell 15%. The year end order book was consistent with last year at 1 192 units but reflects a higher value despite the smaller market. The second half showed a marked improvement after difficulties with our mobile service technology, the restructuring of the back office administration taking longer than originally anticipated and changes in the senior management structure.

In the Netherlands and Belgium, the market grew 9.4% to 22 703 units with warehousing making up a strong 58.7% share. The year end order books at 269 units were relatively unchanged from last year.

The US handling business delivered another year of solid growth at the operating level. The total new equipment market grew 1.8% to 39 263 units. The open order book at 839 units was very similar to last year but higher in revenue value as a result of the product mix. The executive management team was restructured to align the organisation with our business segmentation.

In the Truck Center business, the "pre-buy" ahead of the 2007 engine emission changes increased class 6-8 industry new sales in the US market by 10.2% to 432 145 units for

the year to September. A further acceleration will be seen in both the market and our deliveries during the last three months of the calendar year. Our new unit sales for the fiscal year grew 4.6% to 3 630, resulting in revenue growth of 8.7% at a slightly improved margin. The order book ended the year at 2 023 units, slightly higher than last year. The major focus of the business remained on the growth and improvement of the aftermarket parts and service activities and these absorbed 79% of operating costs for the year (2005: 73%).

Good progress has been made on the sale of the leasing books, with the US book sold to a joint venture between GE Capital and Hyster Capital. A small residual balance remains covering a few specific short term and early expiring contracts. The disposal of the UK leasing business to GE Capital was finalised in November 2006. The leases related to the UK Ministry of Defence contracts are not assignable and will accordingly continue to be managed out of our UK operation.

#### MOTOR

R million	Revenue		Operating profit incl fair value adjustments		Net operating assets	
	Year ended 30 Sept		Year ended 30 Sept		30 Sept	
	2006	2005	2006	2005	2006	2005
- Southern Africa	9 307	8 791	223	175	1 020	640
- Australia	1 719	1 598	23	11	666	399
<b>Trading</b>	<b>11 026</b>	<b>10 389</b>	<b>246</b>	<b>186</b>	<b>1 686</b>	<b>1 039</b>
- Southern Africa	1 108	881	256	210	2 400	2 396
- Europe	805	478	69	66	2 536	1 231
<b>Car rental</b>	<b>1 913</b>	<b>1 359</b>	<b>325</b>	<b>276</b>	<b>4 936</b>	<b>3 627</b>
<b>Leasing Southern Africa*</b>	<b>631</b>	<b>638</b>	<b>65</b>	<b>88</b>	<b>276</b>	<b>334</b>
	<b>13 570</b>	<b>12 386</b>	<b>636</b>	<b>550</b>	<b>6 898</b>	<b>5 000</b>
Share of associate income			27	23		

\* Net operating assets after deducting interest-bearing borrowings.

The southern African motor retail operations performed well in another record year of new vehicle sales. An expanding market, favourable interest rates, improved supply and new models contributed to increased new and used vehicle sales. Parts, as well as service hours, benefited from the buoyant market. The strategic alignment of the dealership network into "Fewer, Bigger, Better" facilities produced efficiencies and resulted in a 27% improvement in operating profit. The Australian operations improved performance due to our now established dealership network and an increasing demand for certain brands we represent.

Avis Rent a Car Southern Africa benefited from a strong increase in rental days, good utilisation and firmer rates. Growth in the fleet resulted in a higher interest charge and other associated costs. The Point-to-Point and truck rental businesses improved on the previous year and contributed to the positive result. Our Scandinavian car rental operation, which includes both Avis and Budget brands, was severely impacted by a major vehicle supplier's change in supply and pricing strategy in Sweden during the first half. However, profitability improved in the second half of the year as a result of increased rental days, the ongoing implementation of the regional business structure and a strong contribution from the Norwegian operations. The Danish operations, which

were acquired in November 2005, have been successfully integrated into the regional structure.

Avis Fleet Services experienced strong growth in its fleet under management. However, lower interest rates and used vehicle margins resulted in reduced profitability. Full ownership of the business was secured during the year, as were significant new business contracts. These should result in long-term profit growth.

Associate income includes another strong performance from our DaimlerChrysler empowerment joint venture in KwaZulu–Natal, which recorded revenues of R2.4 billion and operating profit of R102 million.

#### CEMENT

R million	Revenue		Operating profit incl fair value adjustments		Net operating assets*	
	Year ended 30 Sept		Year ended 30 Sept		30 Sept	
	2006	2005	2006	2005	2006	2005
Southern Africa	4 863	3 974	1 905	1 502	2 565	2 502
Share of associate income			0	2		

\* Net operating assets include goodwill arising on PPC shares purchased by Barloworld.

The South African economy continued to exhibit strong growth which was mirrored in both the residential and non-residential construction sectors. The cement division benefited from these buoyant market conditions with cement volumes achieving record levels. Regional cement sales volumes grew 17% over last year. All production units were fully operational from February and provided much needed additional capacity in the second half of the year, although operating older kiln lines resulted in higher costs. Logistics expenses also increased, due to the increased complexity in the movements of product to our customers. This additional expenditure put some pressure on cement margins.

The Batswedi project, which will add 1.2 million tons of cement capacity, is progressing according to plan and within budget. Until the new capacity comes on line in mid-2008, cement is being imported to supplement current capacity during periods of high demand. This is not expected to have a material effect on earnings.

Lime revenue and operating profit improved following the renegotiation of several long-term supply agreements and higher volumes in the steel sector. Aggregate operations reflected excellent volume and profit growth.

A proposal for a modern cement milling facility in the inland region at a cost of around R600 million will be presented to the board in the first calendar quarter of 2007. The feasibility study of capacity expansion in the Western Cape is progressing well and a proposal will also be presented to the board by August 2007.

The Afripack empowerment transaction with Nozala Investments (Pty) Ltd has proved highly successful. The loan funding has been repaid, a year earlier than the three-year term of the agreement, and the company continues to show good profit growth. Afripack will now be treated as an associate.

## COATINGS

R million	Revenue		Operating profit incl fair value adjustments		Net operating assets	
	Year ended 30 Sept		Year ended 30 Sept		30 Sept	
	2006	2005	2006	2005	2006	2005
Southern Africa	<b>2 019</b>	1 520	<b>338</b>	281	<b>742</b>	514
Australia & Asia	<b>952</b>	949	<b>( 55)</b>	( 29)	<b>296</b>	254
	<b>2 971</b>	2 469	<b>283</b>	252	<b>1 038</b>	768
Share of associate income			<b>18</b>	20		

The decorative coatings business had another good year following buoyant growth in the southern African market. Strong sales into the roadmarking and protective coatings segments contributed to good growth in the industrial business. The retail sector grew by 12% and trade sales, assisted by commercial development and refurbishment, grew by 14% as the building industry continued to expand resulting in excellent growth in our economy brands in line with our strategy, which impacted margins as expected. The newly acquired Midas product range also expanded its footprint in the growing contractor market.

In the automotive group, the wholly owned refinish business experienced an excellent year. The acquisition of the Prostart distribution business was concluded, and has more than met expectations. The joint venture business with DuPont, which supplies the automotive manufacturing plants, has again performed satisfactorily and continues to maintain its position.

2006 proved to be another good year for the colourant systems business achieving an annual volume growth of 19%. Export volumes increased substantially over the year and now contribute more than 42% of sales volume in this business.

Trading conditions in the Australian coatings industry remained difficult with retail industry volumes declining 1.7%. Cost reduction initiatives through further restructuring of our business during the year resulted in substantial once off costs. This included closing the White Knight factory at Seven Hills and transferring production to the Villawood factory in Sydney. The Hemmant factory in Brisbane was also closed with production similarly relocated. Restructuring costs of approximately A\$4 million were incurred. A concerted effort to find a sustainable strategic solution to the sub optimal market structure in Australia continued and we made an offer to acquire Watty Limited. Despite various proposals from Barloworld to successfully complete the transaction, the ACCC decided not to approve the transaction in a form acceptable to us. We therefore allowed the bid to lapse. The hedge gains less the costs of the bid produced a gain for Barloworld of R36 million, which is reflected in the corporate segment. Steps to sell the retail Bristol branded store network to a third party are well advanced.

Barloworld Coatings continues to investigate the attractive opportunities for growth in the Chinese coatings market and expansion of its presence in the region and elsewhere.

**SCIENTIFIC**

R million	Revenue		Operating profit incl fair value adjustments		Net operating assets	
	Year ended 30 Sept		Year ended 30 Sept		30 Sept	
	2006	2005	2006	2005	2006	2005
Europe	1 027	1 009	62	23	834	629
North America	429	382	10	( 6)	316	359
Asia	146	135	8	4	109	87
	<b>1 602</b>	<b>1 526</b>	<b>80</b>	<b>21</b>	<b>1 259</b>	<b>1 075</b>

The laboratory group's performance improved mainly as a result of fixed cost reduction initiatives that were put in place in the previous financial year and continued strong growth in the science equipment business. Trading, however, was weaker than expected in the UK and Europe, while markets to which we export realised improved revenues and margins, particularly in the US, Asia and Africa. Margins have improved despite significant increases in the cost of energy and plastic raw materials, which are both at record high levels.

Melles Griot produced a good improvement on last year as the semiconductor market rebounded in 2006. The biotechnology, metrology and photonics markets saw growth, activity in the defence sector increased and year on year revenue growth was realised for most products. North America and Asia realised good growth in sales whereas the distribution business in Europe saw reduced revenue. Margins improved by almost 3% as a result of improved supply chain and inventory management processes as well as increased sourcing from low cost countries.

**CORPORATE AND OTHER**

R million	Revenue		Operating profit incl fair value adjustments		Net operating assets	
	Year ended 30 Sept		Year ended 30 Sept		30 Sept	
	2006	2005	2006	2005	2006	2005
Southern Africa	735	561	41	21	925	871
Europe	280	177	159	( 21)	( 619)	( 759)
	<b>1 015</b>	<b>738</b>	<b>200</b>	<b>0</b>	<b>306</b>	<b>112</b>

In southern Africa, results were favourably impacted by a net benefit of R36 million arising from the offer to acquire Wattyl. This represents a profit earned on currency hedges concluded to protect the company against negative currency movements during the term of the offer, less associated acquisition costs.

In Europe results were favourably impacted by a change in accounting policy for post-employment benefit obligations. An accounting gain in terms of IAS 19 amounting to R149 million pre-tax (£10.5 million) arose due to a reduction in the defined benefit pension liabilities in the United Kingdom. This followed a move, by consensual agreement, to career average revalued earnings as a basis for determining pension benefits. Net operating liabilities exceed assets by R619 million due to the liability of R777 million (2005: R747 million) for the pension fund deficits which have been brought on balance sheet in terms of the accounting policy change.

In the logistics business, gross revenue over the last 5 years (including Barloworld clients) has increased at a compound rate in excess of 40% per annum to almost R4 billion this year. During the year Barloworld's logistics operations in South Africa and Spain were integrated to widen the skills base, share best practices and expand the Iberian offering to include integrated supply chain solutions. Sales activity increased during the year in Barloworld Logistics Africa, our 25% BBBEE owned operating company. Our leading BEE status resulted in the securing of a number of blue chip clients and projects which will continue to provide sustainable growth.

**Dividend declaration for the year ended 30 September 2006: Dividend Number 155**

Notice is hereby given that the following dividend has been declared in respect of the year ended 30 September 2006: Number 155 (final dividend) of 450 cents per ordinary share (2005: 325 cents per ordinary share).

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

Last day to trade cum dividend	Friday	05 January 2007
Shares trade ex dividend	Monday	08 January 2007
Record date	Friday	12 January 2007
Payment date	Monday	15 January 2007

Share certificates may not be dematerialised or rematerialised between Monday, 08 January 2007 and Friday, 12 January 2007, both days inclusive.

On behalf of the Board, **S Mngomezulu**, Secretary

## CONSOLIDATED INCOME STATEMENT

for the year ended 30 September

R million	Notes	Audited 2006	2005*	%
<b>CONTINUING OPERATIONS</b>				
<b>Revenue</b>		<b>42 693</b>	37 696	13
<b>Operating profit</b>		<b>4 133</b>	3 423	21
Fair value adjustments on financial instruments		235	( 57)	
Finance costs		( 605)	( 441)	
Income from investments		273	198	
<b>Profit before exceptional items</b>		<b>4 036</b>	3 123	29
Exceptional items	3	120	7	
<b>Profit before taxation</b>		<b>4 156</b>	3 130	
Taxation		(1 370)	(1 044)	
<b>Profit after taxation</b>		<b>2 786</b>	2 086	
Income from associates and joint ventures		72	53	
<b>Net profit from continuing operations</b>		<b>2 858</b>	2 139	34
<b>DISCONTINUED OPERATION</b>				
(Loss) / profit from discontinued operation	4	( 112)	24	
<b>Net profit</b>		<b>2 746</b>	2 163	
Attributable to:				
Minority shareholders		389	314	
Barloworld Limited shareholders		2 357	1 849	27
		<b>2 746</b>	2 163	
<b>Earnings per share (cents)**</b>				
- basic		<b>1 138.9</b>	891.7	28
- diluted		<b>1 117.1</b>	871.7	28
<b>Earnings per share from continuing operations (cents)</b>				
- basic		<b>1 193.0</b>	880.1	36
- diluted		<b>1 170.2</b>	860.4	36
<b>Earnings per share from discontinued operation (cents)</b>				
- basic		<b>(54.1)</b>	11.6	(566)
- diluted		<b>(53.1)</b>	11.3	(570)

\* Restated - refer note 9

\*\* Refer note 2 for details of headline earnings per share calculation

## CONSOLIDATED BALANCE SHEET

at 30 September

R million	Notes	Audited	
		2006	2005*
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>14 289</b>	14 158
Property, plant and equipment		8 299	7 922
Goodwill		3 005	2 485
Intangible assets		323	260
Investment in associates and joint ventures		749	518
Finance lease receivables		566	1 495
Long term financial assets		597	655
Deferred taxation assets		750	823
<b>Current assets</b>		<b>21 365</b>	14 465
Vehicle rental fleet		3 441	2 196
Inventories		5 907	4 793
Trade and other receivables		7 026	5 859
Taxation		17	38
Cash and cash equivalents		2 134	1 399
Assets classified as held for sale	4	2 840	180
<b>Total assets</b>		<b>35 654</b>	28 623
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital and premium		327	1 397
Other reserves		3 461	1 462
Retained income		9 881	8 627
<b>Interest of shareholders of Barloworld Limited</b>		<b>13 669</b>	11 486
Minority interest		691	644
<b>Interest of all shareholders</b>	5	<b>14 360</b>	12 130
<b>Non-current liabilities</b>			
Interest-bearing		5 475	5 410
Deferred taxation liabilities		870	905
Provisions		468	383
Other non-interest-bearing		1 107	1 063
<b>Current liabilities</b>		<b>13 374</b>	8 732
Trade and other payables		6 663	5 163
Provisions		536	480
Taxation		705	457
Amounts due to bankers and short-term loans		4 409	2 632
Liabilities directly associated with assets classified as held for sale	4	1 061	0
<b>Total equity and liabilities</b>		<b>35 654</b>	28 623

\* Restated - refer note 9

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 September

R million	Audited	
	2006	2005*
<b>Cash flow from operating activities</b>		
Operating cash flows before movements in working capital	6 077	5 275
Increase in working capital	( 10)	( 475)
Cash generated from operations	6 067	4 800
Realised adjustments on financial instruments	136	( 18)
Finance costs and investment income	( 265)	( 231)
Taxation paid	(1 007)	( 975)
Cash flow from operations	4 931	3 576
Dividends paid (including minority shareholders)	(1 295)	(1 197)
Cash retained from operating activities	3 636	2 379
<b>Net cash used in investing activities</b>	<b>(2 938)</b>	<b>(2 980)</b>
Acquisition of subsidiaries, investments and intangibles	( 814)	( 443)
Proceeds on disposal of subsidiaries and investments	44	69
Net investment in fleet leasing and rental assets	(2 108)	(1 629)
Acquisition of property, plant and equipment	(1 217)	(1 186)
Proceeds on disposal of property, plant and equipment	593	209
Proceeds on sale of leasing assets	564	-
<b>Net cash inflow/(outflow) before financing activities</b>	<b>698</b>	<b>( 601)</b>
<b>Net cash (used in)/available from financing activities</b>	<b>( 224)</b>	<b>601</b>
Proceeds on share issue	90	188
Buy-back of shares in company	(1 160)	-
Increase in interest-bearing liabilities	846	413
<b>Net increase in cash and cash equivalents</b>	<b>474</b>	<b>-</b>
Cash and cash equivalents at beginning of year	1 399	1 443
Effect of foreign exchange rate movements on cash balance	242	( 44)
Effect of cash balances classified as held for sale	19	-
<b>Cash and cash equivalents at end of year</b>	<b>2 134</b>	<b>1 399</b>
Cash balances not available for use due to reserving restrictions	405	344
<b>Acquisition of subsidiaries, investments and intangibles:</b>		
Inventories acquired	57	11
Receivables acquired	226	96
Payables, taxation and deferred taxation acquired	( 230)	( 90)
Borrowings net of cash	( 512)	25
Property, plant and equipment, non-current assets, goodwill and minority shareholders	744	55
Total net assets acquired	285	97
Goodwill arising on acquisitions	238	21
Total purchase consideration	523	118
Investments and intangible assets acquired	291	325
<b>Cash amounts paid to acquire subsidiaries, investments and intangibles</b>	<b>814</b>	<b>443</b>
Bank balances and cash in subsidiaries acquired	12	36

\* Restated - refer note 9

## CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the year ended 30 September

R million

	Audited	
	2006	2005
Exchange differences on translation of foreign operations	1 832	( 186)
Gain on cash flow hedges	139	2
Deferred taxation on cash flow hedges	( 18)	
Gain of revaluation of available for sale investments	18	12
Deferred taxation on revaluation of available for sale investments	( 8)	( 2)
Other reserve movements	( 71)	( 31)
<b>Net actuarial losses on post-retirement benefit obligations</b>	<b>( 55)</b>	<b>( 86)</b>
Actuarial losses on post-retirement benefit obligations	( 79)	( 123)
Taxation effect	24	37
<b>Net income/(loss) recognised directly in equity</b>	<b>1 837</b>	<b>( 291)</b>
Net profit	2 746	2 163
<b>Total recognised income and expense for the year</b>	<b>4 583</b>	<b>1 872</b>
<b>Attributable to:</b>		
Minority shareholders	381	302
Barloworld Limited shareholders	4 202	1 570
	<b>4 583</b>	<b>1 872</b>

The statement of recognised income and expense has been prepared in terms of the requirements of IAS 19 Employee Benefits regarding the change in accounting policy for the treatment of actuarial gains and losses (refer note 9).

## SALIENT FEATURES

for the year ended 30 September

	Audited	
	2006	2005*
Number of ordinary shares in issue, net of buyback (000)	200 716	208 612
Net asset value per share including investments at fair value (cents)	6 973	5 620
Total borrowings to total shareholders' funds (%)		
- Trading segment**	31.7	20.9
- Total group	73.3	66.3
Interest cover (times)		
- Trading segment**	10.6	11.3
- Total group	5.8	6.0
Return on net assets (%)		
- Trading segment**	26.8	25.6
- Total group	19.1	18.3
Cash flow return on investment - CFROI® (%)	12.3	10.3
Return on ordinary shareholders' funds (excluding exceptional items)(%)	18.0	16.8

\* Restated - refer note 9

\*\* Trading segment includes manufacturing and dealership businesses, but excludes leasing and car rental.

# CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September

R million	Audited	
	2006	2005*
<b>1 Basis of preparation</b>		
<p>This report has been extracted from the group consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS), in compliance with the Companies Act of South Africa and the Listing Requirements of the JSE Limited. The basis of preparation is consistent with the prior year, except as detailed in note 9 below.</p> <p>For a better understanding of the group's financial position, the results of its operations and cash flows for the year, this summarised report should be read in conjunction with the annual financial statements from which it was derived.</p>		
<b>2 Reconciliation of net profit to headline earnings</b>		
Net profit attributable to Barloworld Limited shareholders	2 357	1 849
Impairment loss on disposal of Steel Tube after taxation	156	-
Profit on disposal of properties, investments and subsidiaries	( 140)	( 25)
Impairment of assets	27	21
Loss/(Profit) on sale of plant and equipment (excluding rental assets) and intangible assets	4	( 2)
Taxation on exceptional items	19	( 6)
Interest of outside shareholders in exceptional items	-	4
<b>Headline earnings</b>	<b>2 423</b>	<b>1 841</b>
Headline earnings from continuing operations	2 373	1 815
Headline earnings from discontinued operation	50	26
<b>Weighted average number of ordinary shares in issue during the year (000)</b>		
- basic	206 959	207 367
- diluted	210 998	212 117
<b>Headline earnings per share (cents)</b>		
- basic	1 170.8	887.8
- diluted	1 148.4	867.9
<b>Headline earnings per share from continuing operations (cents)</b>		
- basic	1 146.6	875.3
- fully diluted	1 124.7	855.7
<b>Headline earnings per share from discontinued operation (cents)</b>		
- basic	24.2	12.5
- diluted	23.7	12.3
<b>3 Exceptional items</b>		
Profit on disposal of properties, investments and subsidiaries	143	27
Impairment losses	( 23)	( 21)
Other		1
<b>Gross exceptional profits</b>	<b>120</b>	<b>7</b>
Taxation	( 20)	5
Interest of outside shareholders	-	( 4)
	<b>100</b>	<b>8</b>
Discontinued operation (net of taxation)	( 6)	( 2)
<b>Net exceptional profits</b>	<b>94</b>	<b>6</b>

\* Restated - refer note 9

## CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 September

R million	Audited	
	2006	2005*
<b>4 Discontinued operation and assets classified as held for sale</b>		
The Steel Tube segment has been classified as a disposal group held for sale.		
<b>Results from discontinued operation are as follows:</b>		
Revenue	1 775	1 590
Operating profit	95	44
Fair value adjustments on financial instruments	( 6)	1
Finance costs	( 25)	( 25)
Income from investments	3	1
Profit before exceptional items	67	21
Exceptional items (gross of taxation)	( 7)	( 3)
Profit before taxation	60	18
Taxation	( 20)	2
Profit after taxation	40	20
Income from associates and joint ventures	4	4
Net profit of discontinued operation before impairment loss	44	24
Impairment loss on write-down to fair value less costs to sell	( 185)	
Taxation on impairment loss	29	
Impairment loss after taxation	( 156)	
Loss from discontinued operation per income statement	( 112)	
<b>The cash flows from the discontinued operation are as follows:</b>		
Cash flows from operating activities	80	( 54)
Cash flows from investing activities	( 24)	( 20)
Cash flows from financing activities	( 75)	31
<b>Assets classified as held for sale consist of the following:</b>		
- Steel Tube discontinued operation	715	
- Industrial Distribution leasing assets	1 717	
- Vehicle and equipment rental fleets	249	180
- Other	159	
	2 840	180
<b>Liabilities directly associated with assets classified as held for sale consist of the following:</b>		
- Steel Tube discontinued operation	347	
- Industrial Distribution leasing liabilities#	597	
- Other	117	
	1 061	0
<b>5 Interest of all shareholders</b>		
<b>Balance at the beginning of the year</b>	12 130	11 821
Adjustment to opening balance for changes in accounting policies		( 586)
Net income/(loss) recognised directly in equity	1 837	( 291)
Net profit	2 746	2 163
Reclassifications and other reserve movements	46	34
Purchase of minority shareholding in subsidiary	( 34)	( 2)
Buy-back of shares	(1 160)	
Dividends on ordinary shares	(1 295)	(1 197)
Shares issued in current year	90	188
<b>Interest of shareholders at the end of the year</b>	14 360	12 130

\* Restated - refer note 9

# In addition, an amount of R 916 million inter group borrowings will be settled from the proceeds on the sale of the assets.

## CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 September

R million	Audited 2006	2005*
<b>6 Dividends</b>		
<b>Ordinary shares</b>		
Final dividend No 153 paid on 16 January 2006: 325 cents per share (2005: No 151 - 265 cents per share)	745	602
Interim dividend No 154 paid on 12 June 2006: 150 cents per share (2005: No 152 - 130 cents per share)	312	296
	<b>1 057</b>	898
Dividend attributable to the treasury shares	<b>( 62)</b>	( 75)
Paid to Barloworld Limited shareholders	<b>995</b>	823
Paid to minority shareholders	<b>300</b>	374
	<b>1 295</b>	1 197
<b>Dividends per share (cents)</b>	<b>600</b>	455
- interim (declared May)	<b>150</b>	130
- final (declared November)	<b>450</b>	325
<b>7 Contingent liabilities</b>		
Bills, lease and hire-purchase agreements discounted with recourse, other guarantees and claims	<b>622</b>	296
Litigation, current or pending, is not considered likely to have a material adverse effect on the group.		
Buy-back and repurchase commitments not reflected on the balance sheet	<b>1 250</b>	1 071
The related assets are estimated to have a value at least equal to the repurchase commitment.		
There are no material contingent liabilities in joint venture companies.		
<b>8 Commitments</b>		
<b>Capital expenditure commitments to be incurred:</b>		
Contracted	<b>2 106</b>	1 762
Approved but not yet contracted	<b>999</b>	1 080
	<b>3 105</b>	2 842
Operating lease commitments	<b>2 509</b>	1 682
Finance lease commitments	<b>1 050</b>	1 522
<b>9 Accounting policies and comparative information</b>		
The group changed its accounting policy in the current year in respect of the treatment of actuarial gains and losses. In terms of the allowed treatment per IAS19 Employee Benefits, actuarial gains and losses are now recognised in full in the period in which they occur, outside profit or loss, in the Statement of Recognised Income and Expense.		
In addition, the following new or revised Standards and Interpretations were adopted during the current year:		
- IAS 27 (Revised) Consolidated and Separate Financial Statements		
- IFRS 2 Share-based Payment		
- IFRIC Interpretation 8 Scope of IFRS 2		
- AC 503 Accounting for Black-Economic Empowerment Transactions		
- IFRIC Interpretation 11 IFRS 2 - Group and Treasury Share Transactions		
- The South African Institute of Chartered Accountants' Circular 9/2006 - Transactions giving rise to adjustments to Revenue/Purchases		
- IFRS6 Exploration for and Evaluation of Mineral Resources		
- IFRIC Interpretation 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds		
- IFRIC Interpretation 6 Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment		
- IFRIC Interpretation 7 Applying the Restatement Approach Under IAS 29 Financial Reporting in Hyperinflationary Economies		
- IFRIC Interpretation 9 Reassessment of Embedded Derivatives		
- IFRIC Interpretation 10 Interim Financial Reporting and Impairment		
- IAS 21 (Revised) The effects of Changes in Foreign Exchange Rates		

\* Restated - refer note 9

## CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 September

Comparative information has been restated for the treatment of the Steel Tube segment as a discontinued operation (refer note 4), for the effects of the change in accounting policy in terms of IAS 19, the adoption of IFRS 2 and the requirements of Circular 9/2006.

The aggregate effect of the above changes on the annual financial statements for the year ended 30 September 2005 is as follows:

R million	Previously stated	Reclassification of Discontinued operation*	Other restatements	Restated
<b>Income statement</b>				
<b>Revenue</b>	39 401	(1 603)	( 102)	37 696
<b>Operating profit</b>	3 480	( 45)	( 12)	3 423
Fair value adjustments on financial instruments	( 56)	( 1)	-	( 57)
Finance costs	( 463)	25	( 3)	( 441)
Income from investments	187	( 1)	12	198
<b>Profit before exceptional items</b>	3 148	( 22)	( 3)	3 123
Exceptional items	4	3	-	7
<b>Profit before taxation</b>	3 152	( 19)	( 3)	3 130
Taxation	(1 033)	( 2)	( 9)	(1 044)
<b>Profit after taxation</b>	2 119	( 21)	( 12)	2 086
Income from associates and joint ventures	57	( 4)	-	53
<b>Net profit from continuing operations</b>	2 176	( 25)	( 12)	2 139
Profit/(loss) from discontinued operation	0	25	( 1)	24
<b>Net profit</b>	2 176	-	( 13)	2 163
Attributable to:				
Minority shareholders	315	-	( 1)	314
Barloworld Limited shareholders	1 861	-	( 12)	1 849
	2 176	-	( 13)	2 163
Earnings per share (cents) - basic	897.4	-	(5.7)	891.7
Earnings per share (cents) - diluted	877.3	-	(5.6)	871.7
<b>Balance Sheet</b>				
Long term financial assets	840	-	( 185)	655
Deferred taxation assets	550	-	273	823
Inventories	4 825	-	( 32)	4 793
Trade and other receivables	5 897	-	( 38)	5 859
Other reserves	1 484	-	( 22)	1 462
Retained income	9 198	-	( 571)	8 627
Minority interest	646	-	( 2)	644
Total shareholders interest	12 725	-	( 595)	12 130
Deferred taxation liabilities	906	-	( 1)	905
Non-interest-bearing liabilities	404	-	659	1 063
Trade and other payables	5 208	-	( 45)	5 163

\* Before restatement.

## **10 Portland Holdings Limited (Porthold)**

The results of Porthold, a wholly owned Zimbabwean subsidiary have not been consolidated into the Group results as at 30 September 2006.

There are significant constraints impacting on the normal operation of Porthold and the board concluded that management does not have the ability to exercise effective control over the business. In view of the circumstances, the results of Porthold have continued to be excluded from the group results in the current year and have been accounted for on a fair value investment basis.

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## **11 Related party transactions**

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

The disposal of the Steel Tube division (note 4) to consortium including management and directors of Barloworld Robor (Pty) Limited is considered to be a related party transaction. An opinion has been obtained from an independent professional expert, approved by the JSE Limited, that the transaction is fair and reasonable to Barloworld shareholders.

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

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## **12 Post Balance Sheet events**

Subsequent to the year end, the disposal transaction of the UK Leasing assets has been concluded. The disposal of the Steel Tube segment has been approved by the competition authorities but is still subject to signature of the loan agreements.

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## **13 Audit opinion**

The consolidated financial statements for the year have been audited by Deloitte & Touche and the accompanying unmodified audit report as well as their unmodified audit report on this set of condensed financial information is available for inspection at the company's registered office.

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