Barloworld Limited

Interim results for the six months to 31 March 2016

# A WORLD INSPIRED

**Barloworld**

*Leading brands*

# 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 and Handling (earthmoving, power systems, materials handling and agriculture), Automotive and Logistics (car rental, motor retail, fleet services, used vehicles and disposal solutions, logistics management and supply chain optimisation). We offer flexible, value adding, integrated business solutions to our customers backed by leading global brands. The brands we represent on behalf of our principals include Caterpillar, Hyster, Avis, Budget, Audi, BMW, Ford, General Motors, Jaguar Land Rover, Mazda, Mercedes-Benz, Toyota, Volkswagen, Massey Ferguson and others.

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 diversity and inclusion. The company was founded in 1902 and currently has operations in over 20 countries around the world with 78% of over 20 000 employees in South Africa.

# 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")

**Registered office and business address**
Barloworld Limited, 180 Katherine Street
PO Box 782248, Sandton, 2146, South Africa
☎ +27 11 445 1000
✉ invest@barloworld.com

**Directors**
***Non-executive:*** DB Ntsebeza *(Chairman)*, NP Dongwana, FNO Edozien^, SS Mkhabela, B Ngonyama, SS Ntsaluba, SB Pfeiffer•, OI Shongwe
***Executive:*** CB Thomson *(Chief executive)*, PJ Blackbeard, PJ Bulterman, DM Sewela, DG Wilson
^*Nigerian* •*American*

**Group company secretary**
Lerato Manaka

**Enquiries**
Barloworld Limited
Lethiwe Motloung
☎ +27 11 445 1000
✉ invest@barloworld.com

Instinctif
Morne Reinders
☎ +27 11 447 3030
✉ morne.reinders@instinctif.com

Sponsor
JP Morgan

For background information visit **www.barloworld.com**

# Salient features

## Clive Thomson, CE of Barloworld, said:

"Equipment southern Africa continued to be impacted by a slowdown in mining activity while construction revenues were higher and the aftermarket held up well despite certain customers delaying equipment maintenance. Our Russian equipment business delivered a strong performance and Iberia showed a further year-on-year improvement in profitability despite uncertainty created by the inconclusive election result in Spain.

The Automotive division delivered a satisfactory performance in a challenging trading environment and Logistics delivered operating profits ahead of last year on the back of organic growth.

While trading conditions remain challenging in certain of our businesses, the industry and geographic diversity of the group's operations is providing some resilience through the cycle. A number of strategic and operational steps continue to be taken to enhance financial returns and ensure our businesses are well positioned to capitalise on growth opportunities as the cycle turns."

*16 May 2016*

**Revenue up 4% to**
R31.9 billion

**Operating profit up 1% to**
R1 756 million

**Profit before exceptional items up 6% to**
R1 087 million

**Cash generated from operations**
R 1 227 million
(1H'15: R 2 151 million utilised)

**Basic earnings per share up 4% to**
368 cents

**Headline earnings per share down 9% to**
335 cents

**Interim dividend per share maintained at**
115 cents

# Chairman and chief executive's report

## Overview

The global economy continues to show steady growth despite a sluggish US economy in the first quarter of 2016. The US Federal Reserve now seems likely to scale back the rate of interest rate increases over the course of this year. The Chinese economy would appear to have stabilised with their government targeting growth of between 6.5% and 7% for 2016.

The South African economy remains under pressure with GDP growth outlook for 2016 dropping to below 1%. Higher inflation expectations have resulted in two interest rate increases totalling 75bps in the current calendar year with further rate hikes expected.

Group revenue for the six months to March 2016 increased by 4% to R31.9 billion while profit before exceptional items increased by R60 million (6%) to R1 087 million.

Basic earnings per share (EPS) of 368 cents is 4% higher than last year's comparable of 353 cents. Headline earnings per share (HEPS) decreased by 32 cents (9%) to 335 cents per share mainly as a result of significantly reduced equity earnings from our associates following the losses incurred by the Equipment joint venture in the DRC.

An interim dividend of 115 cents per share (H1'15: 115 cents) has been declared.

## Operational review

### Equipment and Handling

#### *Equipment southern Africa*

Revenue to March of R9.2 billion was R689 million (6.9%) down on last year mainly as a result of the continued slowdown in mining activity.

Construction machine activity is up by 5.8% with increased demand mainly from small and medium sized contractors focussing on local government and municipal contracts. Aftermarket revenue increased to 53% of total revenue (2015: 51%), however, total aftermarket has shown a small year-on-year decline (2.3%) as certain customers delay equipment maintenance. Aftermarket activity at our Northern Cape operations which are largely dependent on iron ore mining was adversely impacted by mining production cuts in recent months.

Operating profit for the six months to March of R701 million is R125 million (15.1%) below last year with reduced profitability in South Africa, Angola and Mozambique. A structured operational transformation programme to ensure sustained profitability resulted in a 6% decrease in net expenses during the current period. There has been a reduction of R625 million in working capital compared to an increase of R2 039 million in the same period last year.

The continued depressed oil price has severely disrupted foreign income flows into the Angolan economy. This has adversely impacted the ability of importers to access hard currency to fund ongoing purchases. It is therefore likely that we would need to curtail our trading operations in Angola should this situation continue.

For the period to March, our associate in the Katanga province of the DRC incurred a loss of R27 million compared to a profit of R110 million last year. This is mainly as a result of a bad debt provision as well as the temporary suspension of mining activities at one of our largest customers from December 2015. Mining operations at this customer were further disrupted by a slope failure in March 2016, with recommencement of mining activities now expected in the second half of our financial year. As a consequence of this disruption, a restructure of our existing workforce was effected during the period.

While the southern Africa firm order book at March 2016 of R1.2 billion is well down on the R1.7 billion at September 2015, there are a number of mining project opportunities in the pipeline which could boost revenues into our 2017 and 2018 financial years. The decline in the firm order book is also due to improved equipment availability and shorter lead times from Caterpillar.

***Equipment Russia***

The Russian economy contracted by close to 4% in 2015 and based on the current oil price, it is likely to remain in recession for 2016.

Activity levels in Equipment Russia have, however, been surprisingly strong with revenue to March of US$157.9 million (R2 347 million) exceeding last year by US$28.6 million (22%). In Rand terms the increase of R863 million was up by 58.2%. This growth has been driven by increased mining unit sales as well as stronger parts activity.

March year to date operating profit of US$15.7 million (R234 million) is US$7.1 million (82%) ahead of last year with the operating margin increasing to 10%. In Rand terms operating profit increased by R133 million (132%).

The firm order book at March of US$47.8 million is up on the September level of US$27.7 million, with open cast gold mining projects driving the growth. The book also includes an order for our first highwall mining machine in Russia for the coal industry.

***Equipment Europe***

Following a solid performance in the first quarter, activity levels in Spain have softened as a result of the political impasse arising from the inconclusive results of the general election held in December 2015.

Revenue for the first half of €138.2 million (R2 248 million) is in line with last year in Euro terms but 21% up in Rand terms due to currency depreciation. New machines, power systems and aftermarket have all generated good year-on-year growth while international used equipment sales were lower.

The operating profit to March of €1.5 million (R25 million) was 106% ahead of last year in Euro terms and 150% up in Rand terms. However there was a decline in income from our power associate Energyst.

The current order book of €29.2 million is mostly made up of power systems orders. While current machine industry data reflects a 60.2% growth in industry unit sales, the bulk of that growth is coming from small construction machines and tele-handler units where our relative market penetration is lower.

***Handling***

March year to date revenue of R719 million is R263 million below last year following the disposal of Agriculture Russia, the exit of Metso and the transfer of SEM to the Equipment division.

Agriculture sales in both South Africa and Mozambique have been adversely impacted by the prevailing severe drought conditions in the region. Operating profit to March of R3 million is in line with last year.

The conversion of our Zambian agricultural business into a joint venture with the German agriculture dealer BayWa AG was completed at the end of October with current trading in line with expectations.

# Chairman and chief executive's report continued

## Automotive and Logistics

### *Automotive*

The division increased revenue by R589 million (4.2%) to R14.8 billion in the six months to March. The bulk of the increase has come from Motor Retail which produced a 4.6% year-on-year revenue increase.

Operating profit to March of R757 million is R23 million (2.9%) below last year mainly as a result of a declining new vehicle market and non-renewal of the government of Lesotho fleet contract.

*Car Rental*

Year to date revenue grew by R186 million (7.0%) driven by a 6.6% increase in rate per day and a 5.5% growth in rental days, while used vehicle revenue was marginally higher than the prior period. The inbound and non-contracted segments continue to show growth.

Operating profit to March of R266 million was 8.1% ahead of the prior year and was underpinned by the continued successful implementation of the Avis and Budget dual brand strategy.

*Motor Trading*

For the six months to March industry new vehicle sales are 7.1% below prior period due to rising new car prices and South African consumers under pressure from rising local interest rates. Our dealerships proved more resilient than the overall market with a 5.0% decrease in new vehicle sales in this period. Operating profit to March of R231 million was R23 million (9.0%) below last year which included the higher than normal sales with the introduction of a new model range in the Mercedes-Benz franchise.

In early November two dealerships (Toyota and Volkswagen) were acquired in Postmasburg, Northern Cape. In addition, the acquisition of two passenger and commercial Mercedes-Benz dealerships in Mbombela (Mpumalanga) and Shelley Beach (KwaZulu-Natal) was effective from 1 March 2016.

*Avis Fleet*

Revenue to March of R1 613 million was down by R52 million (3.1%) following the non-renewal of the Lesotho contract at the end of the last financial year. Operating profit of R260 million was R20 million lower than last year mainly due to the non-renewal of the abovementioned contract and lower used vehicle terminations as customers retain vehicles for longer.

### *Logistics*

First half revenue of R2.6 billion was R392 million (17.5%) up on last year mainly driven by a 38% increase in the Supply Chain revenue as a result of new contracts and acquisitions. The Transport segment increased revenue by 16% due to growth in contracts.

Operating profit to March of R62 million is R6 million (11%) ahead of last year.

Logistics increased their effective holdings in Barloworld Transport from 50.5% to 78.8% at the end of November 2015. In addition Logistics Africa acquired the entire share capital of KLL, a refrigerated network distributor at the end of December. Effective January 2016, Barloworld Transport acquired a controlling 51% stake in Aspen Logistic Services, a refrigerated long haul transporter.

The sale of the Supply Chain software business, which was disclosed as held for sale at September, was concluded at the end of October 2015. As a consequence of reduced activity levels in both the mining and infrastructure sectors we disposed of our crane business in early February 2016 at a profit over net book value.

## Human resources, diversity and sustainable development

Underscoring our commitment to safety, there were no work-related fatalities over the period and our lost-time injury frequency rate (LTIFR) improved compared to last year.

A wide range of diversity and inclusion initiatives which include partnering with emerging suppliers are underway. We are engaging with our principals to advance their localisation activities in South Africa which would support emerging industrialisation programmes.

We have implemented extensive coaching and mentoring programmes aimed at ensuring we have the leadership capability, talent and skills to realise our strategic targets, and to ensure that the profile of our workforce reflects the societies in which we operate.

We are monitoring progress against our various sustainable development objectives and in support of our renewable energy goal, a 200kW (peak) solar photovoltaic installation is being erected at Equipment Isando.

## Changes in directorate and executive management

Independent non-executive directors, Dr Alexander Landia resigned from the Barloworld board with effect from 31 December 2015 as a result of increased external business commitments and Mr Gordon Hamilton, having reached retirement age for non-executive directors, retired from the board on 3 February 2016.

Mr Dominic Sewela, the chief executive of Barloworld Equipment southern Africa, was appointed as deputy chief executive of Barloworld Limited with effect from 1 March 2016.

Effective 1 October 2016, Mr Emmy Leeka, currently chief executive of Equipment South Africa, will be appointed as chief executive of the Equipment southern Africa business, Mr Quinton McGeer will be appointed as chief executive of Equipment Iberia and Mr Gavin Knight as general director of Equipment Russia.

## Funding

March group net debt increased by R860 million to R11.9 billion from September 2015 (this was R275 million higher than March 2015 net debt level).

The net cash outflow for the six months of R557 million was driven by a R895 million increase in working capital (mainly in our Automotive and Logistics division) and the R1 005 million investment in the vehicle rental fleet. The cash outflow for the current period was well down on the R4 190 million utilisation in the first half of 2015 largely as a result of positive cash generation of R1 128 million in Equipment southern Africa.

The group remains focussed on reducing working capital levels and generating positive cash flow in the second half.

## Outlook

While the current order book for Equipment southern Africa is down on September 2015 there are selected mining project opportunities in the pipeline which could boost revenues in our 2017 and 2018 financial years. The recent pick up in commodity prices has to some extent improved the outlook for marginal mines and has reduced the risk of production curtailment with the related negative impact on aftermarket demand.

The improved demand for construction equipment is expected to continue for the balance of the year. We will continue driving our operational transformation to reduce the recurring cost base. Our focus on reducing working capital and improving cash generation remains key to our future growth plans.

# Chairman and chief executive's report continued

The performance of our associate in the DRC is expected to improve in the second half once our restructure is completed and open pit mining operations resume at the Glencore Katanga mine.

In Russia we expect a traditionally stronger second half underpinned by a healthy firm order book and strong after sales demand. The Norilsk Bystrinsky greenfield mining project in eastern Siberia would appear to be moving ahead with the tender process already underway and, if successful, deliveries are likely to commence in our 2017 financial year.

Spain continues to show the strongest recovery of the euro zone's four largest economies and looks on track for GDP growth of around 2.6% this year. It is likely that the fresh Spanish elections called at the end of June should ensure a clearer political outcome and revitalise economic leadership in the country. While activity levels are subdued in the large construction sector we remain confident that our current cost structure will ensure that Iberia remains profitable for the balance of this year.

Handling activity levels are largely dependent on drought recovery in southern Africa. Current maize prices in South Africa, a leading indicator for tractor demand, remain high which should bode well for some improvement in trading in the coming months and drive down existing inventory levels.

In Car Rental we expect volume and rate increases to drive top line revenue growth with the Budget brand continuing to achieve market share gains. Current new vehicle inflation should support increased used vehicle demand and margins.

The outlook for new vehicle sales in South Africa remains weak and we anticipate a double digit decline in this market in the 2016 calendar year. Motor Retail will continue to focus on increasing after sales and used vehicle activity levels. In addition we expect the recent dealership acquisitions to contribute positively to improving overall profitability for the balance of the year.

Avis Fleet is awaiting the outcome of a number of tender submissions which together with continued organic growth should ensure that we maintain our current market leadership position and sustain our performance in the second half.

Logistics' activity levels are forecast to improve in the traditionally stronger second half. In Supply Chain Management and Barloworld Transport we expect both new contracts as well as recent acquisitions to enhance profitability.

While trading conditions remain challenging in certain of our businesses, the industry and geographic diversity of the group's operations is providing some resilience through the cycle. A number of strategic and operational steps continue to be taken to enhance financial returns and ensure our businesses are well positioned to capitalise on growth opportunities as the cycle turns.

**DB Ntsebeza**
Chairman

**CB Thomson**
Chief executive officer

# Group financial review

Revenue for the first six months increased by R1.3 billion (4%) to R31.9 billion with the bulk of the improvement in Automotive and Logistics which showed an increase of R981 million. Revenue in Equipment Russia was up by 22% in Dollar terms while Equipment Iberia was flat in Euro terms. Rand revenues for both regions further benefited from translation gains. In Equipment southern Africa revenue decreased by R689 million (7%) despite the benefits of the weaker Rand in operations outside South Africa.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) were marginally down to R2 978 million with depreciation and amortisation decreasing by 2% as a result of a reduction in depreciation following the rental fleet decrease in Equipment.

Operating profit rose by 1% to R1 756 million with the operating margin down slightly to 5.5%. In Equipment southern Africa, operating profit was down by 15% with reductions in mining capital expenditure and production cutbacks negatively affecting equipment demand. While aftermarket activity was slightly down it remains resilient, somewhat mitigating the impact of declining machine sales. In Equipment Russia trading in the first half was well ahead of the prior period due to higher mining equipment and aftermarket deliveries. Equipment Iberia has continued its turnaround with current year operating profit well up on last year.

In Automotive and Logistics operating profit was down 2% to R819 million, with declines in the Motor Trading and Avis Fleet businesses offset by improved profits in Car Rental and Logistics.

The total net negative fair value adjustments on financial instruments of R55 million (1H'15: R158 million) mainly relates to the cost of forward points on foreign exchange contracts and translation losses on monetary assets and liabilities in Equipment southern Africa and Handling. This was off-set by gains from excess forward cover in Equipment southern Africa.

Finance costs increased by R67 million to R665 million. This is mainly due to higher average debt levels in South Africa and further impacted by higher short-term interest rates in South Africa.

The exceptional profit of R85 million includes a profit of R70 million on the sale of the Logistics Supply Chain software business and a R15 million profit on the sale of the Agriculture Zambia business.

The taxation charge reduced by R3 million to R318 million, the effective taxation rate for the period (excluding prior year taxation and taxation on exceptional items) was 27.7% (1H'15: 32.4%). The prior year rate was negatively impacted by the IAS 12 adjustments arising from the depreciation of the Rouble in Equipment Russia and the write down of the Spanish deferred tax asset resulting from a tax rate change.

Income from associates and joint ventures is well down on the prior period reflecting a loss of R41 million for the first half, mainly attributable to the decline in profits in the equipment joint ventures in the DRC and Energyst.

Headline earnings per share (HEPS) was down by 9% to 335 cents (1H'15: 367 cents).

Basic earnings per share (EPS) of 368 cents is 4% higher than last year's comparable of 353 cents.

## Cash flow

Current activity levels have resulted in increased investment in working capital of R895 million, mainly in Automotive and Logistics but significantly down on the increase last year of R3 944 million. Equipment southern Africa produced a reduction of working capital of R625 million driven by a R1 311 million decrease in inventories and receivables, while Automotive and Logistics absorbed R1 050 million in the first half.

Cash applied to the investment of property, plant and equipment together with subsidiaries and intangibles of R453 million include net acquisitions in the Automotive and Logistics divisions of R254 million. In addition a further US$11.2 million (R173 million) was invested in Angolan US$ linked bonds as protection against currency devaluation. The net cash outflow at interim of R557 million was R3 633 million down on the R4 190 million outflow at March 2015.

# Group financial review continued

## Financial position and debt

Total assets employed in the group increased by R1.6 billion (3%) to R49.8 billion from September 2015. The bulk of the increase was driven by the weaker Rand (R1 billion) as well as the acquisitions in Automotive and Logistics and investment in the Car Rental fleet during the period.

Total interest bearing debt at 31 March 2016 increased to R14.2 billion (September 2015: R13.4 billion) while cash and cash equivalents decreased marginally to R2.3 billion (September 2015: R2.4 billion). Net debt increased in the first half mainly as a result of the seasonal increase in working capital, but also impacted by the additional investment of US$11.7 million (R173 million) in Angolan US$ linked government bonds. Net interest bearing debt at 31 March 2016 of R11.9 billion was R0.8 billion higher than September 2015 (R11.1 billion). The total investment in Angolan US$ linked government bonds at March was US$35.2 million.

## Debt

In October 2015, the company settled the R750 million BAW2 bond which matured on 2 October 2015 utilising its available banking facilities. In December 2015 the company issued an unsecured seven-year bond totalling R252 million, and in January 2016 the company issued a R500 million unlisted note, the proceeds of which were used to redeem BAW20U which was also unlisted. These bonds were issued under our existing South African Domestic Medium Term Note programme.

On 2 February 2016 the R200 million BAW15 bond matured and was settled from available facilities.

In South Africa, short-term debt includes commercial paper totalling R555 million (September 2015: R861 million). While this market has remained liquid, spreads have been negatively impacted by interest rate uncertainty. We expect to maintain our participation in this market.

Cash balances of R2.3 billion are available to meet short-term commitments. Included in the March cash balance is US$31.2 million (R458 million) held in local currency in Angola of which US$15 million is held in a captive account to support foreign currency allocations and US$6 million is required to fund local operating expenses.

The group has unutilised borrowing facilities of R6.0 billion, of which R5.0 billion is committed. Subsequent to the end of March the group finalised a new three-year revolving credit facility with a local bank for R700 million. The group's ratio of long-term to short-term debt remained in line with September 2015 at 68%.

The group total debt to equity ratio at 31 March 2016 was 68% which was in line with September 2015, while group net debt to equity was 57% (September 2015: 55%).

Gearing in the three segments is as follows:

| **Debt to equity (%)** | Trading | Leasing | Car Rental | Group total debt | Group net debt |
|---|---|---|---|---|---|
| Target range | 30 – 50 | 600 – 800 | 200 – 300 | | |
| **Ratio at 31 March 2016** | **42** | **662** | **248** | **68** | **57** |
| Ratio at 31 March 2015 | 56 | 634 | 229 | 82 | 65 |
| Ratio at 30 September 2015 | 43 | 688 | 211 | 67 | 55 |

## Going forward

The group will continue to focus on cash generation in the second half, in particular further reductions of working capital in our Equipment southern Africa and Russia businesses, as well as Handling. This should assist in improving our forecast return on net operating assets for 2016. The group will also continue to term out short-term debt using bank facilities with at least 18 month maturities.

**DG Wilson**
Finance director

# Operational reviews

## Equipment and Handling

| | Revenue | | | Operating profit/(loss) | | | Net operating assets | |
|---|---|---|---|---|---|---|---|---|
| | Six months ended | | Year ended | Six months ended | | Year ended | | |
| | **31 Mar 2016 Rm Reviewed** | 31 Mar 2015 Rm Reviewed | 30 Sept 2015 Rm Audited | **31 Mar 2016 Rm Reviewed** | 31 Mar 2015 Rm Reviewed | 30 Sept 2015 Rm Audited | **31 Mar 2016 Rm Reviewed** | 30 Sept 2015 Rm Audited |
| **Equipment** | **13 833** | 13 272 | 27 479 | **960** | 937 | 2 362 | **18 487** | 18 681 |
| – Southern Africa | **9 238** | 9 927 | 20 307 | **701** | 826 | 1 894 | **12 209** | 12 761 |
| – Europe | **2 248** | 1 861 | 3 793 | **25** | 10 | 71 | **3 171** | 2 913 |
| – Russia | **2 347** | 1 484 | 3 379 | **234** | 101 | 397 | **3 107** | 3 007 |
| **Handling** | **719** | 982 | 2 027 | **3** | 3 | 6 | **1 149** | 1 125 |
| | **14 552** | 14 254 | 29 506 | **963** | 940 | 2 368 | **19 636** | 19 806 |
| Share of associate (loss)/income | | | | **(40)** | 134 | 294 | | |

Equipment southern Africa had a decline in revenue and operating profit of 6.9% and 15% respectively, largely as a result of continuing weakness in the mining sector. However, there are some significant projects in the pipeline and the demand for mining equipment is gradually showing some signs of improvement based on increasing customer enquiries. Construction equipment has a positive outlook with significant orders under execution or to be delivered within the financial year. With continuous focus on business improvement initiatives, cost reduction and efficiency optimisation, a positive performance is achievable for the second half of the year. Our associate in the DRC produced a significantly weaker result mainly due to the temporary suspension of mining activity by a major customer from December 2015 and a bad debt provision raised. The division generated cash of R1.1 billion compared to an outflow of R1.6 billion in the prior period, driven by a reduction in working capital of R625 million and a decrease in the rental fleet of R248 million.

Equipment Iberia revenue was flat in Euro terms with lower machine revenues affected by weak international used equipment markets and investment uncertainty emanating from the current political impasse affecting Spain. Aftermarket revenues continued to show growth and overall margins were materially in line with the prior year. Operating expenses declined as the region continued to benefit from tight cost management and savings realised from prior restructuring undertaken in both Spain and Portugal. Operating profits earned of €1.5 million represented a 106% increase against the prior period.

Equipment Russia revenues grew by 22% in US Dollar terms despite challenging market conditions driven by low commodity prices and the weaker Russian economy. A stronger firm order book predominantly driven by gold and base metals mining, coupled with sustained aftermarket performance and cost control contributed to 82% growth in Dollar operating profit. A strong reduction in inventories together with a lower effective tax rate resulted in a much improved return on equity and positive cash flow generation.

In Handling, the severe drought in southern Africa has impacted agriculture sales, however, we have held market share and margins have firmed. Weaker market sentiment has also impacted the lift truck business. The loss making agriculture operation in Russia was exited at the end of last year, the Metso business was closed and the SEM business was transferred to Equipment. The start-up Zambian Agricultural business was moved into a JV with BayWa AG, a large German-based agriculture company and is now accounted for on our associate line. The overall cost base has been reduced to mirror the smaller division and restructuring costs of R12.4 million were incurred in the period.

# Operational reviews continued

## Automotive and Logistics

| | Revenue | | | Operating profit/(loss) | | | Net operating assets | |
|---|---|---|---|---|---|---|---|---|
| | Six months ended | | Year ended | Six months ended | | Year ended | | |
| | **31 Mar 2016 Rm Reviewed** | 31 Mar 2015 Rm Reviewed | 30 Sept 2015 Rm Audited | **31 Mar 2016 Rm Reviewed** | 31 Mar 2015 Rm Reviewed | 30 Sept 2015 Rm Audited | **31 Mar 2016 Rm Reviewed** | 30 Sept 2015 Rm Audited |
| **Automotive** | **14 757** | 14 168 | 28 704 | **757** | 780 | 1 529 | **9 805** | 8 348 |
| – Car Rental | **2 851** | 2 665 | 5 202 | **266** | 246 | 471 | **2 799** | 1 994 |
| – Motor Trading | **10 293** | 9 838 | 20 140 | **231** | 254 | 486 | **3 300** | 2 569 |
| – Avis Fleet | **1 613** | 1 665 | 3 362 | **260** | 280 | 572 | **3 706** | 3 785 |
| **Logistics** | **2 638** | 2 246 | 4 509 | **62** | 56 | 159 | **2 612** | 2 403 |
| – Southern Africa | **2 509** | 1 938 | 3 980 | **66** | 76 | 186 | **2 457** | 2 241 |
| – Europe and Middle East | **129** | 308 | 529 | **(4)** | (20) | (27) | **155** | 162 |
| | **17 395** | 16 414 | 33 213 | **819** | 836 | 1 688 | **12 417** | 10 751 |
| Share of associate loss | | | | **(2)** | (2) | (7) | | |

The Automotive division delivered a satisfactory result in difficult markets. The division has continued to reinvest into profitable growth opportunities across all business units. Divisional operating profit declined by 2.9% off revenue growth of 4.2%. Operating margin declined to 5.1% (1H'15: 5.5%).

Avis Budget Car Rental delivered a good result, further improving operating profit by 8.1% off a revenue growth of 7.0%, while improving the operating margin to 9.3% (1H'15: 9.2%). The business grew rental day volumes, increased revenue per rental day, successfully managed fleet utilisation at 75% and maintained market leadership in a competitive environment. Avis Car Sales continued to earn good profits on the sale of ex-rental vehicles.

The Motor Trading operations delivered a creditable result given the tough trading conditions and declining new vehicle market. Operating profit decreased by 9.1% and operating margin declined to 2.2% (1H'15: 2.6%). The results reflect a normalised performance for our Mercedes-Benz franchise which performed exceptionally well in the first half of 2015. New vehicle sales volumes declined by 5.0% against a dealer market which reduced volumes by 7.6% during the period under review. The overall result was supported by an improved used vehicle and aftersales performance. The acquisition of two Mercedes-Benz dealerships in KwaZulu-Natal and Mpumalanga was effective 1 March 2016. A majority interest in a salvage management company (SMD) was acquired and these results will be consolidated from 1 May 2016.

Avis Fleet produced a slightly lower result, with operating profit declining by 7.1%. The business maintained the overall fleet size, however the financed fleet declined by 4.8% mainly due to the non-renewal of the Lesotho contract. Customers holding vehicles for longer periods impacted the overall used vehicle profit contribution in this business.

The Logistics business delivered a pleasing performance in a tough trading environment with operating profit at R62 million, up 10.7% on last year. Revenue increased by 17.5% to R2.6 billion. A traditionally stronger second half is forecast which will be enhanced by value realised from significant new contracts awarded at the end of 2015 and the recent acquisitions of KLL and Aspen Logistic Services. The investment in and integration of SmartMatta into the Logistics service offering is starting to deliver results while the Supply Chain Management, Transport and Middle East operations remain stable.

## Corporate

| | Revenue | | | Operating profit/(loss) | | | Net operating assets/(liabilities) | |
|---|---|---|---|---|---|---|---|---|
| | Six months ended | | Year ended | Six months ended | | Year ended | | |
| | **31 Mar 2016 Rm Reviewed** | 31 Mar 2015 Rm Reviewed | 30 Sept 2015 Rm Audited | **31 Mar 2016 Rm Reviewed** | 31 Mar 2015 Rm Reviewed | 30 Sept 2015 Rm Audited | **31 Mar 2016 Rm Reviewed** | 30 Sept 2015 Rm Audited |
| – Southern Africa | | | 1 | **10** | 15 | 17 | **568** | 480 |
| – Europe | | | | **(36)** | (47) | (78) | **(1 814)** | (1 979) |
| | | | 1 | **(26)** | (32) | (61) | **(1 246)** | (1 499) |

Corporate Office primarily comprises the operations of the headquarters and treasury in Johannesburg, the treasury in Maidenhead (United Kingdom) and the captive insurance company.

Southern Africa reflects a similar result to the previous comparative period, while in Europe the improved performance is mainly due to increased profitability as a result of lower claims in the captive insurance company and reduced operating costs.

## DIVIDEND DECLARATION
### Dividend number 175

Notice is hereby given that final dividend number 175 of 115 cents (gross) per ordinary share in respect of the six months ended 31 March 2016 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).

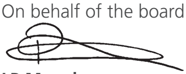
In accordance with paragraphs 11.17(a)(i) to (x) and 11.17(c) of the JSE Listings Requirements the following additional information is disclosed:
- The dividend has been declared out of income reserves;
- Local dividends tax rate is 15% (fifteen per centum);
- Barloworld has 212 692 583 ordinary shares in issue;
- The gross local dividend amount is 115 cents per ordinary share;
- The net dividend amount is 97.75 cents per share.

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

| | |
|---|---|
| • Dividend declared | Monday, 16 May 2016 |
| • Last day to trade cum dividend | Friday, 3 June 2016 |
| • Shares trade ex-dividend | Monday, 6 June 2016 |
| • Record date | Friday, 10 June 2016 |
| • Payment date | Monday, 13 June 2016 |

Share certificates may not be dematerialised or rematerialised between 6 June 2016 and 10 June 2016, both days inclusive.

On behalf of the board



**LP Manaka**
*Group company secretary*

**Directors**
***Non-executive:*** DB Ntsebeza *(Chairman),* NP Dongwana, FNO Edozien^, SS Mkhabela, B Ngonyama, SS Ntsaluba, SB Pfeiffer•, OI Shongwe
***Executive:*** CB Thomson *(Chief executive),* PJ Blackbeard, PJ Bulterman, DM Sewela, DG Wilson
^*Nigerian* •*American*

# Condensed consolidated income statement

| | Notes | Six months ended 31 Mar 2016 Reviewed Rm | Six months ended 31 Mar 2015 Reviewed Rm | Year ended 30 Sept 2015 Audited Rm |
|---|---|---|---|---|
| **Revenue** | | **31 947** | 30 668 | 62 720 |
| **Operating profit before items listed below (EBITDA)** | | **2 978** | 2 991 | 6 479 |
| Depreciation | | **(1 167)** | (1 189) | (2 355) |
| Amortisation of intangible assets | | **(55)** | (58) | (129) |
| **Operating profit** | 3 | **1 756** | 1 744 | 3 995 |
| B-BBEE charge | | | | (251) |
| **Operating profit including B-BBEE charge** | | **1 756** | 1 744 | 3 744 |
| Fair value adjustments on financial instruments | | **(55)** | (158) | (198) |
| Finance costs | | **(665)** | (598) | (1 252) |
| Income from investments | | **51** | 39 | 67 |
| **Profit before exceptional items** | | **1 087** | 1 027 | 2 361 |
| Exceptional items | 4 | **85** | (12) | (6) |
| **Profit before taxation** | | **1 172** | 1 015 | 2 355 |
| Taxation | 5 | **(318)** | (321) | (808) |
| **Profit after taxation** | | **854** | 694 | 1 547 |
| (Loss)/income from associates and joint ventures | | **(41)** | 132 | 287 |
| **Net profit for the period** | | **813** | 826 | 1 834 |
| **Net profit attributable to:** | | | | |
| Owners of Barloworld Limited | | **781** | 749 | 1 713 |
| Non-controlling interests in subsidiaries | | **32** | 77 | 121 |
| | | **813** | 826 | 1 834 |
| **Earnings per share^ (cents)** | | | | |
| – basic | | **368.4** | 353.4 | 808.7 |
| – diluted | | **368.2** | 352.4 | 806.1 |

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

# Condensed consolidated statement of comprehensive income

| | Six months ended 31 Mar 2016 Reviewed Rm | Six months ended 31 Mar 2015 Reviewed Rm | Year ended 30 Sept 2015 Audited Rm |
|---|---|---|---|
| **Profit for the period** | **813** | 826 | 1 834 |
| **Items that may be reclassified subsequently to profit or loss:** | **479** | 103 | 1 336 |
| Exchange gain on translation of foreign operations | **567** | 82 | 1 454 |
| Translation reserves realised on the liquidation and disposal of foreign joint ventures and subsidiaries | | 3 | (130) |
| (Loss)/gain on cash flow hedges | **(122)** | 22 | 16 |
| Deferred taxation on cash flow hedges | **34** | (4) | (4) |
| **Items that will not be reclassified to profit or loss:** | **(39)** | | (46) |
| Actuarial losses on post-retirement benefit obligations | | | (57) |
| Taxation effect | **(39)** | | 11 |
| Share of joint venture's defined benefit obligation | | (5) | |
| **Other comprehensive income for the period** | **440** | 98 | 1 290 |
| **Total comprehensive income for the period** | **1 253** | 924 | 3 124 |
| **Total comprehensive income attributable to:** | | | |
| Owners of Barloworld Limited | **1 221** | 847 | 3 003 |
| Non-controlling interests in subsidiaries | **32** | 77 | 121 |
| | **1 253** | 924 | 3 124 |

# Condensed consolidated statement of financial position

| | Notes | 31 Mar 2016 Reviewed Rm | 31 Mar 2015 Reviewed Rm | 30 Sept 2015 Audited Rm |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | **19 987** | 17 708 | 19 906 |
| Property, plant and equipment | | **13 946** | 13 047 | 14 380 |
| Goodwill | | **1 901** | 1 661 | 1 740 |
| Intangible assets | | **1 647** | 1 400 | 1 500 |
| Investment in associates and joint ventures | 6 | **980** | 814 | 923 |
| Finance lease receivables | | **117** | 76 | 142 |
| Long-term financial assets | 7 | **625** | 66 | 438 |
| Deferred taxation assets | | **771** | 644 | 783 |
| **Current assets** | | **29 776** | 30 266 | 28 052 |
| Vehicle rental fleet | | **3 172** | 2 663 | 2 488 |
| Inventories | | **13 961** | 14 480 | 13 767 |
| Trade and other receivables | | **10 257** | 9 946 | 9 331 |
| Taxation | | **68** | 52 | 94 |
| Cash and cash equivalents | 14 | **2 318** | 3 125 | 2 372 |
| Assets classified as held for sale | 8 | | | 197 |
| Total assets | | **49 763** | 47 974 | 48 155 |
| **EQUITY AND LIABILITIES** | | | | |
| **Capital and reserves** | | | | |
| Share capital and premium | | **441** | 316 | 282 |
| Other reserves | | **6 275** | 4 548 | 5 793 |
| Retained income | | **13 619** | 12 437 | 13 351 |
| **Interest of shareholders of Barloworld Limited** | | **20 335** | 17 301 | 19 426 |
| Non-controlling interest | | **617** | 608 | 616 |
| **Interest of all shareholders** | | **20 952** | 17 909 | 20 042 |
| **Non-current liabilities** | | **12 592** | 10 651 | 12 078 |
| Interest-bearing | | **9 726** | 8 147 | 9 074 |
| Deferred taxation liabilities | | **567** | 407 | 571 |
| Provisions | | **139** | 177 | 139 |
| Other non-current liabilities | | **2 160** | 1 920 | 2 294 |
| **Current liabilities** | | **16 219** | 19 414 | 15 992 |
| Trade and other payables | | **10 680** | 11 704 | 10 531 |
| Provisions | | **918** | 1 076 | 1 058 |
| Taxation | | **116** | 18 | 52 |
| Amounts due to bankers and short-term loans | | **4 505** | 6 616 | 4 351 |
| Liabilities directly associated with assets classified as held for sale | 8 | | | 43 |
| **Total equity and liabilities** | | **49 763** | 47 974 | 48 155 |
| Net debt | | **11 913** | 11 638 | 11 053 |

# Condensed consolidated statement of changes in equity

| | 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 2014 (audited)** | 316 | 4 517 | 12 049 | 16 882 | 604 | 17 486 |
| Total comprehensive income for the period | | 98 | 749 | 847 | 78 | 924 |
| Other reserve movements | | (67) | 96 | 29 | | 29 |
| Dividends | | | (456) | (456) | (74) | (530) |
| **Balance at 31 March 2015 (reviewed)** | 316 | 4 548 | 12 437 | 17 301 | 608 | 17 909 |
| Total comprehensive income for the period | | 1 238 | 918 | 2 156 | 43 | 2 199 |
| Other reserve movements | | 7 | 41 | 48 | | 48 |
| B-BBEE IFRS 2 | | | 198 | 198 | | 198 |
| Dividends | | | (243) | (243) | (35) | (278) |
| Share buy-back | (34) | | | (34) | | (34) |
| **Balance at 30 September 2015 (audited)** | 282 | 5 793 | 13 351 | 19 426 | 616 | 20 042 |
| **Total comprehensive income for the period** | | **479** | **742** | **1 221** | **32** | **1 253** |
| **Other reserve movements** | | **3** | **15** | **18** | **(21)** | **(3)** |
| **Dividends** | | | **(489)** | **(489)** | **(10)** | **(499)** |
| **Shares issued** | **159** | | | **159** | | **159** |
| **Balance at 31 March 2016 (reviewed)** | **441** | **6 275** | **13 619** | **20 335** | **617** | **20 952** |

# Condensed consolidated statement of cash flows

| | Notes | Six months ended 31 Mar 2016 Reviewed Rm | 31 Mar 2015 Reviewed Rm | Year ended 30 Sept 2015 Audited Rm |
|---|---|---|---|---|
| **Cash flow from operating activities** | | | | |
| Operating cash flows before movements in working capital | | **2 899** | 3 214 | 7 094 |
| Increase in working capital | | **(895)** | (3 944) | (3 429) |
| **Cash generated/(outflow) from operations before investment in rental fleets** | | **2 004** | (730) | 3 665 |
| Net investment in fleet leasing and equipment rental fleet | 9 | **228** | (760) | (1 847) |
| Net investment in vehicle rental fleet | 9 | **(1 005)** | (661) | (754) |
| **Cash generated from/(utilised in) operations** | | **1 227** | (2 151) | 1 064 |
| Realised fair value adjustments on financial instruments | | **50** | (153) | (210) |
| Finance costs and investment income | | **(591)** | (482) | (967) |
| Taxation paid | | **(291)** | (370) | (770) |
| **Cash inflow/(outflow) from operations** | | **395** | (3 156) | (882) |
| Dividends paid (including non-controlling interest) | | **(499)** | (531) | (814) |
| **Net cash applied to operating activities** | | **(104)** | (3 687) | (1 696) |
| **Net cash applied to investing activities** | | **(453)** | (503) | (1 826) |
| Acquisition of subsidiaries, investments and intangibles | 12 | **(506)** | (79) | (641) |
| Proceeds on disposal of subsidiaries, investments, intangibles and loans repaid | 13 | **316** | | 61 |
| Net investment in leasing receivables | | **4** | 25 | (128) |
| Acquisition of property, plant and equipment | | **(453)** | (506) | (1 363) |
| Proceeds on disposal of property, plant and equipment | | **186** | 57 | 245 |
| **Net cash outflow before financing activities** | | **(557)** | (4 190) | (3 523) |
| **Net cash from financing activities** | | **428** | 3 133 | 1 591 |
| Shares repurchased for equity-settled share-based payment | | | (17) | (22) |
| Shares issued net of share buyback | | **125** | | |
| Purchase of non-controlling interest | | **(136)** | | |
| Non-controlling interest loan and equity movements | | **64** | (4) | (6) |
| Net increase in interest-bearing liabilities | | **375** | 3 154 | 1 619 |
| **Net decrease in cash and cash equivalents** | | **(129)** | (1 057) | (1 932) |
| Cash and cash equivalents at beginning of period | | **2 372** | 4 162 | 4 162 |
| Effect of foreign exchange rate movements | | **61** | 20 | 156 |
| Effect of cash balances held for sale | | **14** | | (14) |
| Cash and cash equivalents at end of period | | **2 318** | 3 125 | 2 372 |

# Notes to the condensed consolidated financial statements

## 1. Basis of preparation

The condensed consolidated interim financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for interim reports, and the requirements of the Companies Act applicable to financial statements. The Listings Requirements require interim reports to be prepared in accordance with, IAS 34 Interim Financial Reporting and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies applied in the preparation of the condensed consolidated interim financial statements were 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.

This report was prepared under the supervision of SY Moodley (group general manager: finance) B.Com CA(SA), ACMA.

| | Six months ended | | Year ended |
|---|---|---|---|
| | **31 Mar 2016 Reviewed Rm** | 31 Mar 2015 Reviewed Rm | 30 Sept 2015 Audited Rm |
| **2. Reconciliation of net profit to headline earnings** | | | |
| Net profit attributable to Barloworld Limited shareholders | **781** | 749 | 1 713 |
| Adjusted for the following: | | | |
| (Profit)/loss on disposal of subsidiaries and investments (IFRS 10) | **(15)** | (3) | 4 |
| Profit on disposal of properties and other assets (IAS 16) | **(70)** | (20) | (35) |
| Loss/(profit) on sale of plant and equipment excluding rental assets (IAS 16) | **8** | 3 | (10) |
| Impairment of goodwill (IFRS 3) | | 33 | 33 |
| Reversal of impairment of investments in associates and joint ventures (IAS 28) | | | (2) |
| Impairment of plant and equipment (IAS 16) and intangibles (IAS 38) and other assets | | 2 | 6 |
| Rate change of amounts excluded from headline earnings | | 13 | 13 |
| Taxation effects of remeasurements | **7** | | 1 |
| Non-controlling interest in subsidiaries of adjustments | **(1)** | | |
| Headline earnings | **710** | 777 | 1 724 |
| Headline earnings – excluding B-BBEE charge | **710** | 777 | 1 960 |
| **Weighted average number of ordinary shares in issue during the period (000)** | | | |
| – basic | **211 934** | 211 811 | 211 843 |
| – diluted | **212 093** | 212 551 | 212 537 |
| **Headline earnings per share (cents)** | | | |
| – basic | **335.0** | 366.8 | 813.8 |
| – diluted | **334.8** | 365.6 | 811.1 |
| **Headline earnings per share excluding B-BBEE charge (cents)** | | | |
| – basic | **335.0** | 366.8 | 925.5 |
| – diluted | **334.8** | 365.6 | 922.3 |

# Notes to the condensed consolidated financial statements continued

| | Six months ended 31 Mar 2016 Reviewed Rm | Six months ended 31 Mar 2015 Reviewed Rm | Year ended 30 Sept 2015 Audited Rm |
|---|---|---|---|
| **3. Operating profit** | | | |
| Included in operating profit: | | | |
| Cost of sales (including allocation of depreciation) | **25 077** | 24 059 | 49 054 |
| (Profit)/loss on disposal of other plant, equipment and rental assets | **(34)** | 42 | 42 |
| Amortisation of intangible assets | **3** | 11 | 38 |
| **4. Exceptional items** | | | |
| Profit/(loss) on disposal of investments and subsidiaries | **15** | 3 | (4) |
| Impairment of goodwill | | (33) | (33) |
| Impairment of investments | | | 2 |
| Profit on disposal of property and other assets | **70** | 20 | 35 |
| Impairment of property, plant and equipment, intangibles and other assets | | (2) | (6) |
| **Gross exceptional profit/(loss)** | **85** | (12) | (6) |
| Rate change of amounts excluded from headline earnings | | (13) | (13) |
| Taxation charge on exceptional items | **(7)** | | (1) |
| Non-controlling interest on exceptional items | **1** | | |
| **Net exceptional profit/(loss)** | **79** | (25) | (20) |
| **5. Taxation** | | | |
| Taxation per income statement | **(318)** | (321) | (808) |
| Prior year taxation | **(10)** | 25 | 82 |
| Taxation on exceptional items | **(7)** | | (1) |
| Attributable to a change in the rate of income tax | **7** | (19) | (30) |
| Taxation on profit before prior year taxation, exceptional items and rate change | **(308)** | (327) | (859) |
| Effective taxation rate excluding exceptional items, prior year taxation (%) | **27.7%** | 32.4% | 34.3% |

The interim taxation charges for the IAS 12 par 41 adjustments have been calculated by applying an estimated average annual effective tax rate for September 2016. A significant factor in estimating the annual effective tax rates are the exchange rates which have been estimated using a 30 September 2016 forward exchange rate based on independent exchange rate forecasts.

| | Six months ended 31 Mar 2016 Book value Rm | Six months ended 31 Mar 2015 Book value Rm | Year ended 30 Sept 2015 Book value Rm |
|---|---|---|---|
| **6. Investment in associates and joint ventures** | | | |
| Joint ventures | **655** | 511 | 590 |
| Unlisted associates | **325** | 301 | 332 |
| | **980** | 812 | 922 |
| Loans and advances | | 2 | 1 |
| | **980** | 814 | 923 |
| **7. Long-term financial assets** | | | |
| Unlisted investments | **49** | 47 | 60 |
| Other long-term financial assets | **57** | 19 | 52 |
| Unlisted debt instruments* | **519** | | 326 |
| | **625** | 66 | 438 |

* *The group invested in Angolan USD linked government bonds.*

| | Six months ended 31 Mar 2016 Book value Rm | Six months ended 31 Mar 2015 Book value Rm | Year ended 30 Sept 2015 Book value Rm |
|---|---|---|---|
| **8. Assets classified as held for sale** | | | |
| **The major classes of assets and liabilities comprising the disposal group and other assets classified as held for sale were as follows:** | | | |
| Property, plant and equipment | | | 5 |
| Goodwill | | | 29 |
| Intangibles | | | 97 |
| Inventories | | | 32 |
| Trade and other receivables | | | 20 |
| Cash balances | | | 14 |
| Assets of disposal group held for sale | | | 197 |
| Trade and other payables | | | (42) |
| Other current and non-current liabilities | | | (1) |
| Total liabilities associated with assets classified as held for sale | | | (43) |
| Net assets classified as held for sale | | | 154 |
| **Per business segment:** | | | |
| Handling | | | 73 |
| Logistics | | | 81 |
| Total group | | | 154 |

The assets held for sale relate to the net assets of the Agriculture Zambia operation and the South African, UK and US Supply Chain Software businesses within Barloworld Logistics. The conclusion of these transactions were well advanced as at 30 September 2015. These businesses had been sold as at 31 March 2016.

# Notes to the condensed consolidated financial statements continued

| | Six months ended 31 Mar 2016 Reviewed Rm | 31 Mar 2015 Reviewed Rm | Year ended 30 Sept 2015 Audited Rm |
|---|---|---|---|
| **9. Net investment in leasing and rental fleets** | | | |
| **Net investment in leasing and equipment rental fleets** | **228** | (760) | (1 847) |
| Additions | **(1 071)** | (1 841) | (4 029) |
| Transfers and proceeds on disposals | **1 299** | 1 081 | 2 182 |
| **Net investment in vehicle rental fleet** | **(1 005)** | (661) | (754) |
| Additions | **(2 263)** | (1 983) | (3 276) |
| Transfers and proceeds on disposals | **1 258** | 1 322 | 2 522 |
| **10. Financial instruments** | | | |
| **Carrying value of financial instruments by class:** | | | |
| **Financial assets:** | | | |
| Trade receivables | | | |
| – Industry | **6 455** | 6 580 | 6 136 |
| – Government | **365** | 378 | 419 |
| – Consumers | **881** | 767 | 644 |
| Other loans and receivables and cash balances | **4 622** | 4 789 | 3 823 |
| Finance lease receivables | **404** | 243 | 400 |
| Derivatives (including items designated as effective hedging instruments) | | | |
| – Forward exchange contracts | | 104 | 136 |
| Other financial assets at fair value | **49** | 47 | 50 |
| **Total carrying value of financial assets** | **12 776** | 12 909 | 11 609 |
| **Financial liabilities:** | | | |
| Trade payables | | | |
| – Principals | **3 180** | 3 638 | 2 903 |
| – Other suppliers | **2 958** | 3 824 | 5 823 |
| Other non-interest-bearing payables | **154** | 195 | 352 |
| Derivatives (including items designated as effective hedging instruments) | | | |
| – Forward exchange contracts | **106** | 15 | 20 |
| Interest-bearing debt measured at amortised cost | **16 743** | 17 446 | 12 262 |
| Total carrying value of financial liabilities | **23 141** | 25 118 | 21 360 |

## 10. **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 and level 3 measurements are determined using discounted cash flows.

| | 31 March 2016 | | | |
|---|---|---|---|---|
| | **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 | | | **44** | **44** |
| **Available-for-sale financial assets** | | | | |
| Shares | | | **5** | **5** |
| **Total** | | | **49** | **49** |
| **Financial liabilities at fair value through profit or loss** | | | | |
| Derivatives | **35** | | | **35** |
| **Derivative liabilities designated as effective hedging instruments** | **71** | | | **71** |
| **Total** | **106** | | | **106** |

| | 31 March 2015 | | | |
|---|---|---|---|---|
| | 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 | 9 | | 42 | 51 |
| Non-derivative financial assets | | | | |
| **Available-for-sale financial assets** | | | | |
| Shares | | | 5 | 5 |
| **Derivative assets designated as effective hedging instruments** | 95 | | | 95 |
| **Total** | 104 | | 47 | 151 |
| **Financial liabilities at fair value through profit or loss** | | | | |
| Derivatives | 4 | | | 4 |
| **Derivative assets designated as effective hedging instruments** | 11 | | | 11 |
| **Total** | 15 | | | 15 |

# Notes to the condensed consolidated financial statements continued

## 10. Financial instruments continued

**Fair value measurements recognised in the statement of financial position** continued

| | 30 September 2015 | | | |
|---|---|---|---|---|
| | 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 | 59 | | 45 | 104 |
| **Available-for-sale financial assets** | | | | |
| Shares | | | 5 | 5 |
| **Derivative assets designated as effective hedging instruments** | 77 | | | 77 |
| Total | 136 | | 50 | 186 |
| **Financial liabilities at fair value through profit or loss** | | | | |
| Derivatives | | 20 | | 20 |
| **Total** | | 20 | | 20 |

| | Six months ended | | Year ended |
|---|---|---|---|
| | **31 Mar 2016 Reviewed Rm** | 31 Mar 2015 Reviewed Rm | 30 Sept 2015 Audited Rm |
| **11. Dividends declared** | | | |
| **Ordinary shares** | | | |
| Final dividend No 174 paid on 18 January 2016: 230 cents per share (2015: No 172 – 214 cents per share) | **489** | 456 | 456 |
| Interim dividend No 173 paid on 15 June 2015: 115 cents per share | | | 243 |
| Paid to Barloworld Limited shareholders | **489** | 456 | 699 |
| Paid to non-controlling interest | **10** | 74 | 109 |
| | **499** | 530 | 808 |

| | Six months ended | | Year ended |
|---|---|---|---|
| | **31 Mar 2016 Reviewed Rm** | 31 Mar 2015 Reviewed Rm | 30 Sept 2015 Audited Rm |
| **12. Acquisition of subsidiaries, investments and intangibles** | | | |
| Inventories acquired | **(131)** | (14) | (21) |
| Receivables acquired | **(139)** | (10) | (41) |
| Payables, taxation and deferred taxation acquired | **277** | 27 | 61 |
| Borrowings net of cash | **101** | 35 | 62 |
| Property, plant and equipment and non-controlling interest | **(150)** | (72) | (97) |
| Total net assets acquired | **(42)** | (34) | (36) |
| Goodwill arising on acquisition | **(144)** | (22) | (92) |
| Intangibles arising on acquisition in terms of IFRS 3 Business Combinations | **(93)** | (14) | (34) |
| Total purchase consideration | **(279)** | (70) | (162) |
| Non-cash consideration | **25** | | |
| Deemed disposal of associate at fair value on obtaining control | | | 20 |
| Net cash cost of subsidiaries acquired | **(254)** | (70) | (142) |
| Cash acquired | **28** | 5 | 6 |
| Investments and intangibles acquired | **(280)** | (14) | (505) |
| **Cash amounts paid to acquire subsidiaries, investments and intangibles** | **(506)** | (79) | (641) |

On 31 December 2015, through a sale of shares and subscription agreement, Barloworld Logistics Africa (Pty) Limited acquired 100% of the KLL Group (Pty) Limited's share capital for a total consideration of R68.6 million. R24.6 million of the consideration has been deferred and is payable after a year. The primary reason of the acquisition is to enable Barloworld Logistics to enter the multi-warehousing distribution market and give Barloworld Logistics refrigeration capability using a distribution network. The transaction gave rise to goodwill of R56.3 million which is not deductible for taxation purposes. The goodwill arising from the acquisition largely consists of knowledge and experience of the employees and potential customer contracts in the territory. The transaction was accounted for in terms of IFRS 3 Business Combinations, and thus, management has 12 months from the effective date of the transaction to finalise the accounting in terms of the transaction.

## 12. Acquisition of subsidiaries, investments and intangibles continued

On 1 January 2016, through a sale of shares agreement, Barloworld Transport (Pty) Limited acquired 51% of the shares in Aspen Logistic Services (Pty) Limited for a total cash consideration of R37.6 million. The primary reason of the acquisition is to enable Barloworld Logistics to enter the refrigerated transport market. The transaction gave rise to goodwill of R9 million which is not deductible for taxation purposes. The goodwill arising from the acquisition largely consists of knowledge and experience of the employees and potential customer contracts in the territory. Non-controlling interest of R27 million was recognised as part of the transaction. The transaction was accounted for in terms of IFRS 3 Business Combinations, and thus, management has 12 months from the effective date of the transaction to finalise the accounting in terms of the transaction.

The Motor Trading business unit acquired the net assets of the Toyota and Volkswagen dealerships in Postmasburg on 1 November 2015 and effective 1 March 2016 also acquired the net assets and business of Union Motors Lowveld and Union Motors South Coast. The primary reason for these acquisitions was to expand the Motor Retail footprint. The total cash consideration for acquisitions is R172.9 million. The transactions gave rise to goodwill of R78.5 million which is not deductible for taxation purposes. The goodwill arising from the acquisitions consist largely of a premium paid for established profitable businesses. The transactions were accounted for in terms of IFRS 3 Business Combinations, and thus, management has 12 months from the effective date of the transaction to finalise the accounting in terms of the transaction.

| | Six months ended | | Year ended |
|---|---|---|---|
| | **31 Mar 2016 Reviewed Rm** | 31 Mar 2015 Reviewed Rm | 30 Sept 2015 Audited Rm |
| **13. Proceeds on disposal of subsidiaries, investments, intangibles and loans repaid** | | | |
| Inventories disposed | **39** | | 147 |
| Receivables disposed | **22** | | 71 |
| Payables, taxation and deferred taxation balances disposed | **(47)** | | (55) |
| Borrowings net of cash | **9** | | (1) |
| Property, plant and equipment, non-current assets, goodwill and intangibles | **146** | | 16 |
| Net assets disposed | **169** | | 179 |
| *Less*: Non-cash translation reserves realised on disposal of foreign subsidiaries | | | (127) |
| Receivable from subsidiary disposed | **(25)** | | |
| Profit on disposal | **122** | | 10 |
| Net cash proceeds on disposal of subsidiaries | **266** | | 62 |
| Bank balances and cash in subsidiaries disposed of | **(9)** | | (2) |
| Proceeds on disposal of investments and intangibles | **59** | | 1 |
| **Cash proceeds on disposal of subsidiaries, investments, intangibles and loans repaid** | **316** | | 61 |

The net cash proceeds on disposal of subsidiaries relates to the disposal of Barloworld Supply Chain Software for R172.9 million in December 2015 and Agriculture Zambia for R92 million in January 2016. The non-cash primarily relates to the proceeds receivable in relation to the Barloworld Supply Chain Software business.

| | Six months ended | | Year ended |
| --- | --- | --- | --- |
| | **31 Mar 2016 Reviewed Rm** | 31 Mar 2015 Reviewed Rm | 30 Sept 2015 Audited Rm |
| **14. Cash and cash equivalents** | | | |
| Cash balances not available for use due to reserving and foreign exchange restrictions | **662** | 591 | 337 |
| **15. Commitments** | | | |
| Capital commitments to be incurred | **1 988** | 2 250 | 2 112 |
| Contracted – Property, plant and equipment | **680** | 1 049 | 406 |
| Contracted – Vehicle rental fleet | **902** | 509 | 1 354 |
| Approved but not yet contracted | **406** | 692 | 352 |
| Operating lease commitments | **3 499** | 2 908 | 3 187 |
| Capital expenditure will be financed by funds generated by the business, existing cash resources and borrowing facilities available to the group. | | | |
| **16. Contingent liabilities** | | | |
| Bills, lease and hire-purchase agreements discounted with recourse, other guarantees and claims | **1 344** | 1 669 | 1 343 |
| Buy-back and repurchase commitments not reflected on the statement of financial position* | **61** | 271 | 62 |

** The related assets are estimated to have a value of at least equal to the commitment.*

## 17. Related party transactions

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

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

## 18. Events after the reporting period

The Automotive division acquired a majority interest in Salvage Management and Disposal (Pty) Limited effective 1 May 2016. This transaction will be accounted for in terms of IFRS 3 Business Combinations and management will finalise the accounting treatment in the next 11 months. No other material transactions occurred after the reporting period.

## 19. Auditor's review

These interim condensed consolidated financial statements for the period ended 31 March 2016 have been reviewed by Deloitte & Touche, who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the company's registered office.

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 that report together with the accompanying financial information from the issuer's registered office.

Any forward-looking statements included in this announcement has not been reviewed or reported on by the auditors.

# Notes to the condensed consolidated financial statements continued

## 20. Operating segments

| | Revenue | | | Operating profit/(loss) | | |
|---|---|---|---|---|---|---|
| | Six months ended | | Year ended | Six months ended | | Year ended |
| | **31 Mar 2016 Reviewed Rm** | 31 Mar 2015 Reviewed Rm | 30 Sept 2015 Audited Rm | **31 Mar 2016 Reviewed Rm** | 31 Mar 2015 Reviewed Rm | 30 Sept 2015 Audited Rm |
| Equipment and Handling | **14 552** | 14 254 | 29 506 | **963** | 940 | 2 368 |
| Automotive and Logistics | **17 395** | 16 414 | 33 213 | **819** | 836 | 1 688 |
| Corporate | | | 1 | **(26)** | (32) | (61) |
| **Total** | **31 947** | 30 668 | 62 720 | **1 756** | 1 744 | 3 995 |
| Southern Africa | **27 218** | 26 979 | 54 911 | **1 548** | 1 731 | 3 695 |
| Europe | **4 729** | 3 689 | 7 809 | **208** | 12 | 299 |
| **Total** | **31 947** | 30 668 | 62 720 | **1 756** | 1 744 | 3 995 |

| | Fair value adjustments on financial instruments | | | Segment result: Operating profit/(loss) including fair value adjustments | | | Operating margin (%) | | | Net operating assets/(liabilities) | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Six months ended | | Year ended | Six months ended | | Year ended | Six months ended | | Year ended | | |
| | **31 Mar 2016 Reviewed Rm** | 31 Mar 2015 Reviewed Rm | 30 Sept 2015 Audited Rm | **31 Mar 2016 Reviewed Rm** | 31 Mar 2015 Reviewed Rm | 30 Sept 2015 Audited Rm | **31 Mar 2016 Reviewed %** | 31 Mar 2015 Reviewed % | 30 Sept 2015 Audited % | **31 Mar 2016 Reviewed Rm** | 30 Sept 2015 Audited Rm |
| | **(54)** | (158) | (210) | **909** | 782 | 2 158 | **6.6** | 6.6 | 8.0 | **19 636** | 19 806 |
| | **(2)** | (4) | (4) | **817** | 832 | 1 684 | **4.7** | 5.1 | 5.1 | **12 417** | 10 751 |
| | **1** | 4 | 16 | **(25)** | (28) | (45) | | | | **(1 246)** | (1 499) |
| | **(55)** | (158) | (198) | **1 701** | 1 586 | 3 797 | **5.5** | 5.7 | 6.4 | **30 807** | 29 058 |
| | **(57)** | (141) | (167) | **1 491** | 1 590 | 3 528 | **5.7** | 6.4 | 6.7 | **26 170** | 24 899 |
| | **2** | (17) | (31) | **210** | (5) | 268 | **4.4** | 0.3 | 3.8 | **4 637** | 4 158 |
| | **(55)** | (158) | (198) | **1 701** | 1 586 | 3 797 | **5.5** | 5.7 | 6.4 | **30 807** | 29 058 |

# Salient features

| | Six months ended | | Year ended |
|---|---|---|---|
| | **31 Mar 2016 Reviewed** | 31 Mar 2015 Reviewed | 30 Sept 2015 Audited |
| **Financial** | | | |
| Headline earnings per share (cents) | **335.0** | 366.8 | 813.8 |
| Headline earnings per share (cents) – excluding B-BBEE charge | **335.0** | 366.8 | 925.5 |
| Dividends per share (cents) | **115** | 115 | 345 |
| Operating margin (%) | **5.5** | 5.7 | 6.4 |
| Net asset turn (times) | **1.9** | 2.0 | 2.0 |
| EBITDA/interest paid (times) | **4.5** | 5.0 | 5.2 |
| Net debt/equity (%) | **56.9** | 65.0 | 55.1 |
| Group return on net operating assets (RONOA) (%) | **11.8** | 15.2 | 16.8 |
| Group return on ordinary shareholders' funds (%) | **7.1** | 9.1 | 10.9 |
| Net asset value per share including investments at fair value (cents) | **9 561** | 8 139 | 9 157 |
| Number of ordinary shares in issue, including BEE shares (000) | **212 693** | 231 292 | 226 728 |
| **Non-financial#** | | | |
| Energy consumption (GJ) | **1 559 383** | 1 545 862 | 3 122 041 |
| Greenhouse gas emissions ($tCO_2e$)$^{\Delta}$ | **144 333** | 142 800 | 287 597 |
| Water consumption (ML) | **423** | 369 | 745 |
| Number of employees | **20 335** | 19 315 | 19 745 |
| LTIFR† | **0.91** | 1.21 | 1.11 |
| Work-related fatalities | **0** | 0 | 0 |

*# Deloitte & Touche have issued an unmodified limited assurance report on the non-financial salient features for the year ended 30 September 2015, in accordance with International Standard 3000 on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. The 31 March 2016 and 31 March 2015 non-financial salient features have not been reviewed and reported on by the auditors.*

*Δ Scope 1 and 2.*

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

| | Closing rate | | | Average rate | | |
|---|---|---|---|---|---|---|
| | Six months ended | | Year ended | Six months ended | | Year ended |
| **Exchange rates (rand)** | **31 Mar 2016 Reviewed** | 31 Mar 2015 Reviewed | 30 Sept 2015 Audited | **31 Mar 2016 Reviewed** | 31 Mar 2015 Reviewed | 30 Sept 2015 Audited |
| United States dollar | **14.71** | 12.12 | 13.86 | **14.94** | 11.44 | 11.98 |
| Euro | **16.76** | 13.01 | 15.43 | **16.29** | 13.57 | 13.73 |
| British sterling | **21.14** | 17.99 | 20.94 | **21.91** | 17.77 | 18.52 |

BASTION GRAPHICS

Barloworld

*Leading brands*

For more information visit **www.barloworld.com**