Notes to the company financial statements

for the year ended 30 September

1. ACCOUNTING FRAMEWORK

The annual financial statements of the company are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa. The historical cost convention is used except for certain financial instruments that are stated at fair value.

The accounting policies of the company are the same as those of the group, where applicable (refer to the consolidated annual financial statements). The policies detailed below are those specifically applicable to the company.

Accounting policies for which no choice is permitted in terms of International Financial Reporting Standards have been included only if management and directors concluded that the disclosure would assist users in understanding the financial statements as a whole, taking into account the materiality of the item being discussed. Accounting policies which are not applicable from time to time, have been removed, but will be included if the type of transaction occurs in future. The company has made the following accounting policy choices in terms of IFRS: The cost model is applied in accounting for investment property and plant and equipment.

1.2 Underlying concepts

The financial statements are prepared on the going concern basis. Assets and liabilities and income and expenses are not offset unless specifically permitted by an accounting standard. Financial assets and financial liabilities are offset and the net amount reported only when a legally enforceable right to set off the amounts exists and the intention is either to settle on a net basis or to realise the asset and settle the liability simultaneously. Non-operating and capital items refer to expenses/income that are unrelated to Barloworld's core operations and fall outside the normal course of business. All financial information has been rounded to the nearest million unless stated otherwise.

1.3 Significant judgements made by management

Preparing financial statements in conformity with IFRS requires estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from these estimates.

Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments, as follows:

Asset lives and residual values

Plant and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives and usage of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives and usage, factors such as technological innovation and product life cycles are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

1.4 Revenue

Included in revenue are rentals earned from leasing fixed property, dividends received from subsidiaries and interest received from subsidiaries.

Revenue is measured at the fair value of the consideration of the amount received or receivable. Cash and settlement discounts, rebates, VAT and other indirect taxes are excluded from revenue.

Rental revenue from operating leases is recognised on a straight-line basis over the term of the relevant lease or another basis if more representative of the time pattern of the user's benefit. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying value of the leased asset and recognised on a straight-line basis over the term of the lease.

Net interest revenue

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable. Finance charges comprise interest payable on borrowings calculated using the effective interest rate method. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method. All other finance costs are expensed in the period in which they are incurred.

Dividends from subsidiaries are accrued for once declared by the subsidiaries.

1.5 Investment property

An investment property is either land or a building or part of a building held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both. The cost model is applied in accounting for investment property, ie the investment property is recorded at cost less any accumulated depreciation and impairment losses. Land is stated at cost and not depreciated.

Investment property is depreciated on a straight-line basis over 20 to 50 years.

1.6 Non-current assets held for sale

During the current financial year a decision was taken by Barloworld to partner with the property development firm Atterbury and investment finance house African Rainbow Capital – as co-investors – to redevelop the Sandton-based Barlow Park Campus into a 130 000 m² mixed-use precinct. As a result, the investment property has been classified as held for sale.