Notes to the company financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 ACCOUNTING FRAMEWORK

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 basis of preparation is consistent with the prior year with the exception of the adoption of IFRS 16: Leases. Refer to note 37 in the Group financial statements. Barloworld Limited the company does not have any leases which require a right of use asset or lease liability to be recognised in the statement of financial position.

1.1 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.

1.2 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:

The Khula Sizwe properties have been accounted for as a disposal Group and not as inventory as this is not held in the ordinary course of business. Also the properties are not held as investment property as the intention is not to hold these properties.

Non-current assets held for sale

The company classified several properties as held for sale in the current year that are in the process of being sold to Khula Sizwe. All the required approvals have been obtained with only the transfers of properties to take place, and therefore the impending sale is expected to complete within the next financial year. As rental income from these properties is significant to the company the properties have been disclosed as discontinued operations.

1.3 REVENUE

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

Interest income and expense are recognised in the statement of comprehensive income using the effective interest method for all interest-bearing financial instruments.

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

1 ACCOUNTING FRAMEWORK continued

1.4 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (FINANCIAL INSTRUMENTS)

Financial instruments comprise investments in equity securities, loans receivable, trade and other receivables (excluding prepayments), cash and cash equivalents, borrowings, other non-current liabilities (excluding provisions), bank overdrafts and trade and other payables.

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, i.e. 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 LESSOR

Lessors will classify each lease as an operating lease.

A lessor recognises operating lease payments as income on a straight-line basis.

The company recognises costs, including depreciation, incurred to obtain lease income as an expense.

1.7 CHANGES IN ACCOUNTING POLICIES

Standards that have become applicable to the Company for the first time for the 2020 financial year include:

IFRS 16: Leases
IFRS 16 has not had an impact on the recognition and measurement of the companies leases, however additional disclosures have been required.

IFRS 16 had limited impact as the entity mainly has a few operating leases for which Barloworld Limited is the lessor.

IFRS 16 has not substantially changed lessor accounting. Barloworld Limited does not have any material leases where it is the lessor.

Thus IFRS 16 had no material impact and no right-of-use assets or lease liabilities have been recognised.

	2020 Rm	Restated 2019 Rm
2 PROFIT BEFORE TAX		
Operating profit from continuing operations is arrived at as follows:		
Total income	**2 971**	1 483
Fair value adjustments	**11**	
Less: finance costs	**(447)**	(528)
Less: administrative costs	**(66)**	(78)
Less: IFRS 2 B-BBEE costs	**(735)**	
Operating profit from continued operations	**1 735**	877
Administrative costs include the following:		
Depreciation (notes 4 and 5)		10
Amortisation of intangible assets (note 6)	**2**	2
Administration, management and technical fees paid	**26**	
Consulting, insurance and other investor relation expenses	**23**	22
Non-executive director salaries	**14**	13
Auditors' remuneration	**1**	4