

Notes to the company annual financial statements *for the year ended 30 September 2008*

1. Accounting policies

Refer to group accounting policies on page 128 to 143.

	Cost Rm	Accumulated depreciation and impairments Rm	Net book value Rm
2. Property, plant and equipment			
2008			
Freehold land and buildings	302	45	257
Investment property	11	6	5
Equipment, vehicles and furniture	13	8	5
	326	59	267
2007			
Freehold land and buildings	150	30	120
Equipment, vehicles, aircraft and furniture	245	129	116
	395	159	236
Less: assets held for sale reflected under current assets	(198)	(94)	(104)
	197	65	132
2006			
Freehold land and buildings	131	27	104
Equipment, vehicles, aircraft and furniture	252	82	170
	383	109	274

There are no assets encumbered.

The insurable value of the company's property, plant and equipment as at 30 September 2008 amounted to R379 million (2007: R249 million; 2006: R222 million). This is based on the cost of replacement of such assets, except for motor vehicles and certain selected assets, which are included at estimated retail value.

	Freehold land and buildings Rm	Investment properties Rm	Equipment and furniture Rm	Vehicles and aircraft Rm	Total Rm
Movement of property, plant and equipment 2008					
Net balance at 1 October 2007	121		10	1	132
Additions	139	5	2		146
	260	5	12	1	278
Disposals			(3)	(1)	(4)
Depreciation (note 15)	(3)		(4)		(7)
Net balance at 30 September 2008	257	5	5		267

	Freehold land and buildings Rm	Equipment and furniture Rm	Vehicles and aircraft Rm	Total Rm
2. Property, plant and equipment (continued)				
2007				
Net balance at 1 October 2006	104	15	155	274
Additions	19	1	1	21
	123	16	156	295
Disposals		(1)	(1)	(2)
Depreciation (note 15)	(2)	(5)	(13)	(20)
Impairment (note 15)			(37)	(37)
Net balance at 30 September 2007	121	10	105	236
Less: assets held for sale reflected under current assets			(104)	(104)
Balance reflected as property, plant and equipment	121	10	1	132
2006				
Net balance at 1 October 2005	103	14	167	284
Additions	4	6	1	11
	107	20	168	295
Disposals			(1)	(1)
Depreciation (note 15)	(3)	(5)	(12)	(20)
Net balance at 30 September 2006	104	15	155	274

The register of land and buildings is open for inspection at the registered office of the company.

	Capitalised software Rm	Patents, trademarks development costs Rm	Total intangible assets Rm
3. Intangible assets			
2008			
Cost			
At 1 October	6	37	43
Additions	3		3
Disposals	(2)		(2)
At 30 September	7	37	44
Accumulated amortisation			
At 1 October	6	13	19
Charge for the year (note 15)		2	2
At 30 September	6	15	21
Carrying amount			
At 30 September	1	22	23

Notes to the company annual financial statements *(continued)*

for the year ended 30 September

	Capitalised software Rm	Patents, trademarks development costs Rm	Total intangible assets Rm
3. Intangible assets (continued)			
2007			
Cost			
At 1 October	6	37	43
At 30 September	6	37	43
Accumulated amortisation			
At 1 October	5	11	16
Charge for the year (note 15)	1	2	3
At 30 September	6	13	19
Carrying amount			
At 30 September		24	24
2006			
Cost			
At 1 October	5	37	42
Additions	1		1
At 30 September	6	37	43
Accumulated amortisation			
At 1 October	4	9	13
Charge for the year (note 15)	1	2	3
At 30 September	5	11	16
Carrying amount			
At 30 September	1	26	27

	2008 Rm	2007 Rm	2006 Rm
4. Long-term financial assets			
Interest in subsidiaries – opening balance		10 675	8 707
Prior year adjustment		(1 006)	(1 006)
Interest in subsidiaries – restated balance	8 805	9 669	7 701
Unlisted investments	5	5	5
Other derivatives	27	29	30
Barloworld Share Purchase Scheme [#]		28	20
	8 837	9 731	7 756
Interest in subsidiaries			
Shares as originally stated (group note 37)	531	3 319	985
Amounts owing by subsidiaries (group note 37)	8 398	7 733	7 541
	8 929	11 052	8 526
Amounts owing to subsidiaries (group note 37)	(124)	(1 383)	(825)
	8 805	9 669	7 701
Fair value of unlisted investments – directors' valuation	5	5	5

Barloworld Share Purchase Scheme

Included are loans to executive directors for the purchase of shares amounting to R7.7 million (2007: R8.6 million, 2006: R17 million). The loans are secured by pledge of the shares and are repayable within 10 years of granting of the option or within nine months of death or immediately on ceasing to be an employee, except in the case of retirement. Interest rates vary in accordance with the terms and provisions of the trust deed and range from 8.85% to 12% (2007: 4.39% to 10%, 2006: 3.17% to 8.5%).

	2008 Rm	2007 Rm	2006 Rm
5. Deferred taxation assets			
Movement of deferred taxation			
Balance at beginning of year	2	99	104
Recognised in income statement	13	(97)	(12)
Other movements			7
Balance at end of the year	15	2	99
Analysis of deferred taxation by type of temporary difference			
Capital allowances		(25)	(29)
Provisions		16	11
Effect of tax losses	15	8	109
Other temporary differences		3	8
	15	2	99
Amount of deferred tax recognised in the income statement			
Capital allowances		4	(8)
Provisions		5	2
Effect of tax losses	15	(101)	(15)
Other temporary differences		(5)	9
	15	(97)	(12)

Notes to the company annual financial statements *(continued)*

for the year ended 30 September

	2008 Rm	2007 Rm	2006 Rm
6. Trade and other receivables			
Other receivables and prepayments	42	45	30
Dividends accrued			2
	42	45	32
7. Cash and cash equivalents			
Cash and cash equivalent balances (South African rand)		6	2
		6	2
8. Assets classified as held for sale			
Property, plant and equipment		104	
During 2007 the company decided to sell its two aircrafts and classified them as held for sale. The sales took place in the 2008 financial period.			
9. Share capital and premium			
Authorised share capital			
500 000 6% non-redeemable cumulative preference shares of R2 each	1	1	1
300 000 000 ordinary shares of 5 cents each	15	15	15
	16	16	16
Issued share capital			
375 000 6% non-redeemable cumulative preference shares of R2 each (2007: 375 000, 2006: 375 000)	1	1	1
226 878 609 ordinary shares of 5 cents each (2007: 203 843 388, 2006: 200 715 557)	11	10	10
	12	11	11
Share premium:	28		104
Balance at beginning of year		104	1 421
Premium on share issues	23	139	90
Premium on non-executive directors' trust BEE share issues	9		
BEE equity expenses	(3)		
Premium utilised for payment of distribution		(226)	
Premium utilised for Coatings unbundling	(1)		
Premium utilised for PPC unbundling		(17)	
Cancellation of treasury shares			(247)
Cost of share buyback			(1 160)
Total issued share capital and premium	40	11	115
For further information refer to note 13 in the consolidated financial statements.			
10. Interest-bearing liabilities			
Total South African rand: interest-bearing	2 775	1 576	1 587

Of this amount R1 565 million represents the issue of a corporate bond in July 2004, which is listed on the South African Bond Exchange under the code BAW1. The bond matures in July 2011 and carries a fixed coupon of 10.7% per annum which represents a premium of 112 basis points above the comparable Treasury stock R153 at the time of issue. Fifty percent of the interest was converted to short-term rates through the conclusion of an interest rate swap in 2004. During 2005, a fixed interest rate swap agreement was entered into. Interest is paid at 7.83%. A fair value gain of R2 million (2007: R17 million, 2006: R28 million) has been recognised in the current year.

The balance of this liability of R1 210 million, is mainly made up of loans obtained from the strategic partners and the community service groups, which form part of the BEE transaction implemented during September 2008. These loans mature in August 2015 and carry a fixed interest rate of 11.78% per annum.

	Notes	Share capital and premium Rm	Re-valuation reserves Rm	Cash flow hedging reserves Rm	Equity compensation reserves Rm	Total other reserves Rm	Total retained income Rm	Total shareholders' interest Rm
11. Company statement of changes in equity								
Balance at 30 September 2005		1 433	4		5	9	4 821	6 263
Prior year adjustment	23						(1 006)	(1 006)
Balance at 1 October 2005		1 433	4		5	9	3 815	5 257
Changes in equity recognised during 2006								
Cancellation of treasury shares							(1 929)	(1 929)
Reclassifications and other reserve movements							(17)	(17)
Net loss recognised directly in equity							(1 946)	(1 946)
Net profit for the year							4 261	4 261
Total recognised income and expense for the year								
Reclassifications and other reserve movements			(1)		3	2		2
Cancellation of treasury shares	9	(247)						(247)
Buy-back of shares	9	(1 161)						(1 161)
Dividends on ordinary shares							(1 057)	(1 057)
Shares issued in current year	9	90						90
Balance at 30 September 2006		115	3		8	11	5 073	5 199
Changes in equity recognised during 2007								
PPC unbundling							(18 879)	(18 879)
Net loss recognised directly in equity							(18 879)	(18 879)
Net profit for the year							22 627	22 627
Total recognised income and expense for the year								
Reclassifications and other reserve movements					4	4		4
Premium utilised for payment of distribution	9	(226)						(226)
Premium utilised for PPC unbundling	9	(17)						(17)
Dividends on ordinary shares							(2 059)	(2 059)
Shares issued in current year	9	139						139
Balance at 30 September 2007		11	3		12	15	6 762	6 788
Changes in equity recognised during 2008								
Coatings unbundling							(2 582)	(2 582)
Net loss recognised directly in equity							(2 582)	(2 582)
Net profit for the year							551	551
Total recognised income and expense for the year								
Other reserve movements				(12)	146	134	(2 031)	(2 031)
Premium utilised for Coatings unbundling	9	(1)						134
BEE equity expenses	9	(3)						(1)
Dividends on ordinary shares							(614)	(3)
Non-executive directors' trust BEE share issues	9	9						(614)
Shares issued in current year	9	24						9
Balance at 30 September 2008		40	3	(12)	158	149	4 117	4 306

Notes to the company annual financial statements *(continued)*

for the year ended 30 September

		2008 Rm	2007 Rm	2006 Rm
12. Provisions				
Non-current		8	41	22
Current		8	17	5
		16	58	27
	Post-retirement benefits Rm	Other [#] provisions Rm	Share [^] appreciation rights Rm	Total Rm
Balance at 1 October 2006	22	5		27
Net movements	(1)	12	20	31
Raised		17	20	37
Utilised	(1)	(5)		(6)
Balance at 30 September 2007	21	17	20	58
Net movements	(21)	(9)	(12)	(42)
Raised	1	21	10	32
Utilised	(3)	(27)	(19)	(49)
Transferred to group company	(19)	(3)	(3)	(25)
		8	8	16
Non-current			8	8
Current		8		8
Balance at 30 September 2008		8	8	16

[#] Other provisions

These provisions comprise the following:

Unvested share options of former employees of R6 million (2007: R3 million and 2006: nil), employment benefits R2 million (2007 and 2006: R2 million), directors fees R1 million (2007 and 2006: nil), severance pay nil, (2007: R10 million, 2006: R1 million), pension, medical aid nil (2007 and 2006: R1 million), retirement gratuities nil, (2007 and 2006: R1million).

[^] Share appreciation rights

A provision for share appreciation rights arose during 2007 as the group introduced the Barloworld Cash Settled Share Appreciation Right Scheme 2007. The scheme allows executive directors and certain senior employees to earn a long-term incentive amount calculated based on the increase in the Barloworld Limited share price between the grant date and the vesting and exercise of such rights.

For more details refer to note 35 on the group financial statements section.

		2008 Rm	2007 Rm	2006 Rm
13. Amounts due to bankers and short-term loans				
Bank overdrafts and acceptances – South African rand		2 036	1 526	1 288
		2 036	1 526	1 288
14. Revenue				
Rendering of services		133	222	263
Rentals received		29	62	57
		162	284	320

Interest and dividends received are not included in revenue, but reflected as income under operating profit.

	2008 Rm	2007 Rm	2006 Rm
15. Operating profit			
Operating profit is arrived at as follows:			
Revenue	162	284	320
Add: Net income	863	22 768	4 177
Interest from subsidiaries	407	299	196
Dividend received to unbundle PPC		18 879	
Dividends from subsidiaries	801	3 934	4 284
Administrative costs	(345)	(344)	(303)
Operating profit	1 025	23 052	4 497
Administrative costs include the following:			
Depreciation (note 2)	7	20	20
BEE IFRS 2 charge	146		
Loss on disposal of property, plant, and equipment	2		
Amortisation of intangible assets (note 3)	2	3	3
Administration, management and technical fees paid	7	12	14
Auditors' remuneration	6	5	5
Audit fees	6	5	4
Other fees			1
Staff costs (excluding directors' emoluments)	205	169	111
Amounts expensed in respect of retirement benefit plans:			
Defined contribution funds	8	13	15
Defined benefit plan			2
16. Fair value adjustments on financial assets			
Financial assets at fair value through profit – held for trading items	3		
Ineffectiveness recognised in loss arising from cashflow hedges	(8)		
Profit on other financial instruments		1	2
	(5)	1	2
17. Finance costs			
Interest paid:			
Bank	(329)	(252)	(165)
Group	(95)	(99)	(53)
	(424)	(351)	(218)
18. Income from investments			
Interest received on loans	2	2	1
19. Exceptional items			
Profit/(loss) on disposal of subsidiaries and investments		169	(2)
Impairment of fixed assets		(37)	
Gross exceptional profits/(losses)		132	(2)
Net exceptional profits/(losses)		132	(2)

Notes to the company annual financial statements *(continued)*

for the year ended 30 September

	2008 Rm	2007 Rm	2006 Rm
20. Taxation			
Foreign and withholding taxation			
Current year	(4)	(7)	(7)
	(4)	(7)	(7)
Deferred taxation			
Current year	15	(55)	(10)
Prior year		(1)	22
	15	(56)	12
Secondary taxation on companies			
Current	(56)	(105)	
Deferred	(2)	(41)	(24)
	(58)	(146)	(24)
Taxation attributable to the company	(47)	(209)	(19)
Excluding dividend income, the company is showing a loss of R250 million. Excluding the impact of STC credit of R56 million, taxation paid in the current year relates to R4 million withholding tax.			
	%	%	%
Reconciliation of rate of taxation:			
South Africa normal taxation rate	28.0	29.0	29.0
Reduction in rate of taxation	(53.8)	(29.1)	(29.6)
Exempt income	(0.2)	(0.2)	(0.1)
Adjustment due to inclusion of dividend income	(37.5)	(28.9)	(29.0)
Prior year taxation			(0.5)
Tax on unprovided temporary differences	(16.1)		
Increase in the rate of taxation	33.7	1.0	1.1
Disallowable charges	9.7		0.3
Tax on unprovided temporary differences	13.6	0.4	
Withholding taxation	0.7		0.2
Secondary taxation on companies	9.7	0.6	0.6
Taxation as a percentage of profit before taxation	7.9	0.9	0.5
Tax losses and STC credits at the end of the year			
Taxation losses	(291)	(341)	(227)
Unutilised STC credits		(22)	(347)
	(291)	(363)	(574)
Utilised to reduce deferred taxation or create deferred taxation asset	56	22	574
Losses on which no deferred taxation assets raised due to uncertainty regarding utilisation	(235)	(341)	

	2008 Rm	2007 Rm	2006 Rm
21. Contingent liabilities			
Guarantees for loans, overdrafts and liabilities of subsidiaries	6 171	8 518	8 360

The company has given an indemnity to Freeworld Coatings Limited in respect of environmental claims exceeding AUD\$5 million. The claims relate to the coatings Australian business sold to PPG Industries during 2007.

22. Changes in accounting policy and disclosures

During the current year there have been no changes in accounting policies which have impacted the company.

Refer to group note 35 for a list of all adoptions and changes in accounting policies as well as standards and interpretations not yet adopted.

23. Prior year adjustment

During the current year an adjustment amounting to R1 006 million was processed relating to preacquisition dividends received during 2004 from Avis Southern Africa Limited, which was included in profit or loss. The correction has resulted in a reduction in investment in subsidiaries (note 4) and reserves (note 11).

The adjustment does not impact on the group's financial statements.

24. Financial instruments

The company's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, bank borrowings, money and capital market borrowings, loans to and from subsidiaries and derivatives. Derivative instruments are used by the company for hedging purposes.

	Notes	2008 Rm	2007 Rm	2006 Rm
24.1 Summary of the carrying and fair value of financial instruments				
Carrying value of financial instruments by category:				
Financial assets:				
Financial assets at fair value through profit or loss				
– Held for trading items	4	24	29	30
Available-for-sale financial assets	4	5	5	5
Loans and receivables	4,6,7	42	79	54
Derivative assets designed as effective hedging instruments	4	3		
Interest in subsidiaries	4	8 805	9 669	7 701
		8 879	9 782	7 790
Financial liabilities:				
Financial liabilities measured at amortised cost		51	96	89
Interest-bearing loans	10,13	4 811	3 102	2 875
		4 862	3 198	2 964
Fair value of financial instruments by category:				
Financial assets:				
Financial assets at fair value through profit or loss				
– Held for trading items		24	29	30
Available-for-sale financial assets		5	5	5
Loans and receivables		42	79	54
Derivative assets designed as effective hedging instruments		3		
Interest in subsidiaries		8 805	9 669	7 701
		8 879	9 782	7 790
Financial liabilities:				
Financial liabilities measured at amortised cost		51	96	89
Interest-bearing loans		4 768	3 070	2 874
		4 819	3 166	2 963

All financial instruments are carried at fair value or amounts that approximate fair value, except for the non-current portion of fixed rate receivables, payables and interest-bearing borrowings which are carried at amortised cost. The carrying amounts for investments, cash, cash equivalents as well as the current portion of receivables, payables and interest-bearing borrowings approximate fair value due to the short-term nature of these instruments. The fair values have been determined using available market information and appropriate valuation methodologies.

Notes to the company annual financial statements *(continued)*

for the year ended 30 September

24. Financial instruments (continued)

24.2 Financial risk management

a. Capital risk management

The risk management is the same as the group note 33.

b. Market risk

i) Currency risk

The company is not exposed to any significant currency risk.

	2008 Rm	2007 Rm	2006 Rm
<i>ii) Interest rate risk</i>			
The company manages the exposure to interest rate risk by maintaining a balance between fixed and floating rate borrowings. The interest rate characteristics of new borrowings and the refinancing of existing borrowings are structured according to expected movements in interest rates. There has been no change in the current year to this approach. The interest profile of total borrowings is as follows:			
Interest rates			
Loans at fixed rates of interest	2 775	1 576	1 587
Loans linked to South Africa money market	2 036	1 526	1 288
	4 811	3 102	2 875

Interest rate sensitivity analysis

The impact of changes in the interest rates is not significant as interest costs are recovered from other group companies.

iii) Other price risk

Barloworld share price

The company has a liability to option holders in terms of the Share Appreciation Rights Scheme.

Hedge accounting applied in respect of Barloworld share price risk

Cashflow hedges

– fair value of designated cash flow hedge – Barloworld share call options

The call options have been acquired to hedge against future additional cash flows arising from increases in the Barloworld share price. The cash flows are expected to occur after the vesting of the rights as per group note 33.

Barloworld share price sensitivity analysis

The impact of movement in the Barloworld share price is not significant due to the relatively low share price at 30 September 2008 as well as the fact that the share rights have not vested yet.

There has been no change during the current year in the company approach to managing other price risk.

c. Credit risk

The potential area of credit risk is short-term cash investments. It is company policy to deposit short-term cash investments with major banks and financial institutions with strong credit ratings.

	2008 Rm	2007 Rm	2006 Rm
Maximum exposure to credit risk (excluding collateral held)			
Financial assets:			
Financial assets at fair value through profit or loss			
– Held for trading items	24	29	30
Available-for-sale financial assets	5	5	5
Loans and receivables	42	79	54
Derivative assets designed as effective hedging instruments	3		
Interest in subsidiaries	8 805	9 669	7 701
Other items including financial guarantees	6 171	8 518	8 360
	15 050	18 300	16 150

24. Financial instruments (continued)

24.2 Financial risk management (continued)

d. Liquidity risk

The company manages liquidity risk by monitoring forecast cash flows, maintaining a balance between long- and short-term. There has been no change to this approach in the current year.

Maturity profile of financial liabilities

The maturity profile of the financial instruments is summarised as follows (based on contractual undiscounted cash flows):

	Total owing 2008	Repayable during the year ending 30 September		
		2009	2009 to 2013	2014 and onwards
Interest-bearing liabilities	6 122	2 317	2 456	1 349
Trade payables and other non-interest bearing liabilities	51	51		
		2008 Rm	2007 Rm	2006 Rm
25. Related party transactions				
With subsidiaries of the company				
Goods and services sold to		154	284	320
Goods and services purchased from				1
Dividends and interest – income		1 208	23 112	4 480
Dividends and interest – expense		95	99	115
Freehold land and buildings purchased from		139		
Inter group loans and other amounts due from related parties as at end of year*		8 398	7 733	7 541
Inter group loans and other amounts due to related parties as at end of year*		124	1 383	825

26. Post balance sheet events

A corporate bond of R750 million was issued on 2 October 2008, and is listed on the South African Bond Exchange under the code BAW2. The bond carries a fixed coupon of 11.67% per annum and matures on 2 October 2015.

The following notes are dealt with in the consolidated financial statements:

- Dividends (group note 28)
- Financial instruments (group note 33)
- Directors' remuneration and interest (group note 36)
- Barloworld shareholders attributable interest in subsidiaries (group note 37)

* There are no doubtful debt provisions raised in respect of amounts due to/from related parties and no bad debts incurred during the year on these balances.