

Definitions

Below is a list of key definitions of financial terms used in the annual report of Barloworld Limited (the Company) and the group:

Accounting policies

The specific principles, bases, conventions, rules and practices applied in preparing and presenting financial statements.

Accrual accounting

The effects of transactions and other events are recognised when they occur rather than when the cash is received.

Actuarial gains and losses

The effects of differences between the previous actuarial assumptions and what has actually occurred as well as changes in actuarial assumptions.

Amortised cost

The amount at which a financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

Asset

A resource controlled by the entity as a result of a past event from which future economic benefits are expected to flow.

Associate

An entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control over those policies.

Available-for-sale financial assets

Those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Borrowing costs

Interest and other costs incurred in connection with the borrowing of funds.

Business combination

A business is an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to participants.

A business combination is the bringing together of separate entities or businesses into one reporting entity.

Carrying amount

The amount at which an asset is recognised after deducting any accumulated depreciation or amortisation and accumulated impairment losses.

Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are

readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Cash flow hedge

A hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with an asset, or a liability that could affect profit or loss or a highly probable forecast transaction that could affect profit or loss.

Cash flow return on investment (CFROI®)

CFROI represents an internal rate of return calculation for the business as a whole using the following components:

- Gross cash flow (the after tax cash flow from the company's operations consisting of accounting operating profit before depreciation, amortisation and other non-cash items adjusted for the add back of lease costs) (Pmt)
- Recurring annually over the estimated harmonic economic asset life of the asset base (n)
- Working capital and other non-depreciating assets (e.g. land and estimated residuals on rental assets) realised at the end of the life (Fv)
- Expressed as a return on current inflation adjusted gross assets (both depreciating and non-depreciating and including operating leases capitalised at today's real interest rate) (Pv)

The above definition does not contain all the adjustments processed in the CFROI® calculation. For further authoritative reading please refer to the book 'CFROI VALUATION' a Total System Approach to Valuing the Firm by Bartley J. Madden published by Butterworth – Heinemann Finance (ISBN 0 7506 3865 6).

Cost of capital

In terms of the Credit Suisse HOLT methodology cost of capital is an empirically market derived real discount rate which is company-specific with adjustments for size (proxy for liquidity) and financial leverage (proxy for financial risk) differentials. The HOLT calculated rate is used for valuation purposes.

For performance management purposes the group's CFROI® returns are measured against an internal minimum hurdle rate of 8% real which may be different from the HOLT calculated rate at a point in time.

CFROI® is a registered trademark in the United States of Credit Suisse or its subsidiaries or affiliates.

Cash-generating unit

The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Cash-settled share based payment transaction

A share-based payment transaction in which the entity acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of the entity's shares or other equity instruments of the entity.

Change in accounting estimate

An adjustment to the carrying amount of an asset, liability or the amount of the periodic consumption of an asset that results from new information or new developments.

Definitions *(continued)*

Constructive obligation

An obligation that derives from an established pattern of past practice, published policies or a sufficiently specific current statement such that it created a valid expectation on the part of other parties that the obligation will be met.

Consolidated financial statements

The financial statements of a group presented as those of a single economic entity.

Contingent asset

A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liability

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Costs to sell

The incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs and income tax expense.

Date of transaction

The date on which the transaction first qualifies for recognition in accordance with International Financial Reporting Standards.

Depreciation (or amortisation)

The systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount of an asset is the cost of an asset, or other amount substituted for cost, less its residual value.

Derecognition

The removal of a previously recognised asset or liability from the balance sheet.

Derivative

A financial instrument whose value changes in response to an underlying item, requires no initial or little net investment in relation to other types of contracts that would be expected to have a similar response to changes in market factors and is settled at a future date.

Development

The application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before starting commercial production or use.

Diluted earnings per share

Profit or loss attributable to ordinary equity holders of the parent entity divided by the weighted average number of ordinary

shares outstanding during the period, both adjusted for the effects of all dilutive potential ordinary shares.

Dilution

A reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.

Discontinued operation

A component that has either been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation, or a subsidiary acquired exclusively with a view to resale.

Employee benefits

All forms of consideration (excluding share options granted to employees) given in exchange for services rendered by employees.

Equity instrument

A contract or certificate that evidences a residual interest in the total assets after deducting the total liabilities.

Equity method

A method in which the investment is initially recognised at cost and adjusted thereafter for the post acquisition change in the share of net assets of the investee. Profit or loss includes the share of the profit or loss of the investee.

Equity-settled share-based payment transaction

A share based payment transaction in which the entity receives goods or services as consideration for equity instruments of the entity (including shares or share options).

Expenses

The decreases in economic benefits in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Fair value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

Fair value hedge

A hedge of exposure to changes in fair value of a recognised asset, liability or firm commitment.

Finance lease

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Financial asset or liability at fair value through profit or loss

A financial asset or financial liability that is classified as held for trading or is designated as such on initial recognition other than

investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

Financial instrument

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial risk

The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Firm commitment

A binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

Forecast transaction

An uncommitted but anticipated future transaction.

Going concern basis

The assumption that the entity will continue in operation for the foreseeable future.

Gross investment in lease

The aggregate of the minimum lease payments receivable by the lessor under a finance lease and any unguaranteed residual value accruing to the lessor.

Hedged item

An asset, liability, firm commitment, highly probable forecast transaction or net investment in a foreign operation that exposes the entity to risk of changes in fair value or future cash flows and is designated as being hedged.

Hedging instrument

A designated derivative or non-derivative financial asset or non-derivative financial liability whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.

Hedge effectiveness

The degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

Held for trading financial asset or financial liability

One that is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or as part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or a derivative (except for a derivative that is a designated and effective hedging instrument).

Held-to-maturity investment

A non-derivative financial asset with fixed or determinable payments and fixed maturity where there is a positive intention and ability to hold it to maturity.

Immaterial

If individually or collectively it would not influence the economic decisions of the users of the financial statements.

Impairment loss

The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.

Impracticable

Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.

Income

Increase in economic benefits in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants.

Insurance asset

An insurer's net contractual rights under an insurance contract.

Insurance liability

An insurer's net contractual obligations under an insurance contract.

Insurance risk

Risk, other than financial risk, transferred from the holder of a contract to the issuer.

Insured event

An uncertain future event that is covered by an insurance contract and creates insurance risk.

Insurer

The party that has an obligation under an insurance contract to compensate a policyholder if an insured event occurs.

Joint control

The contractually agreed sharing of control over an economic activity.

Joint venture

A contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

Key management personnel

Those persons having authority and responsibility for planning, directing and controlling the activities of the entity.

In terms of this definition, the members of the board of directors of Barloworld Limited qualify as key management personnel of the group.

Legal obligation

An obligation that derives from a contract, legislation or other operation of law.

Liability

A present obligation of the entity arising from a past event, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Definitions *(continued)*

Minimum lease payments

Payments over the lease term that the lessee is or can be required to make, excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor including in the case of a lessee, any amounts guaranteed by the lessee or by a party related to the lessee or in the case of a lessor, any residual value guaranteed to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.

Net assets

Net operating assets plus cash and cash equivalents.

Net investment in the lease

The gross investment in the lease discounted at the interest rate implicit in the lease.

Net operating assets

Segment assets less segment liabilities (excluding interest-bearing liabilities of Leasing businesses).

Operating lease

A lease other than a finance lease.

Owner-occupied property

Property held by the owner or by the lessee under a finance lease for use in the production or supply of goods or services or for administrative purposes.

Past service cost

The increase or decrease in the present value of the defined benefit obligation for employee service in prior periods resulting from the introduction of, or changes to, post-employment benefits or other long-term employee benefits.

Policyholder

A party that has a right to compensation under an insurance contract if an insured event occurs.

Post-employment benefits

Employee benefits (other than termination benefits) that are payable after the completion of employment.

Post-employment benefit plans

Formal or informal arrangements under which an entity provides post-employment benefits to employees. Defined contribution benefit plans are where there are no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Presentation currency

The currency in which the financial statements are presented.

Present value

A current estimate of the present discounted value of the future net cash flows in the normal course of business.

Prior period error

An omission from or misstatement in the financial statements for one or more prior periods arising from a failure to use, or

misuse of, reliable information that was available when financial statements for those periods were authorised for issue and could reasonably be expected to have been obtained and taken into account in the preparation of those financial statements.

Projected unit credit method

An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Prospective application

Applying a new accounting policy to transactions, other events and conditions occurring after the date the policy changed or recognising the effect of the change in an accounting estimate in the current and future periods.

Recoverable amount

The higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

Regular way purchase or sale

A purchase or sale of a financial asset under a contract, the terms of which require delivery of the asset within the timeframe established by regulation or convention in the marketplace concerned.

Research

The original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Residual value

The estimated amount which an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Restructuring

A programme that is planned and controlled by management, and materially changes either the scope of a business undertaken by an entity or the manner in which that business is conducted.

Retrospective application

Applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.

Retrospective restatement

Correcting the recognition, measurement and disclosure of amounts as if a prior period error had never occurred.

Segment assets

Total assets less cash on hand, deferred and current taxation assets.

Segment liabilities

Non-interest-bearing current and non-current liabilities, (excluding deferred and current taxation liabilities) as well as interest-bearing liabilities of Leasing businesses.

Segment result

Segment result represents operating profit plus any other items that are directly attributable to segments including fair value

adjustments on financial instruments. Interest costs are excluded due to the centralised nature of the group's treasury operations.

Share-based payment transactions

A cash-settled share based payment transaction is the acquisition of goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of the entity's shares or other equity instruments.

An equity-settled share based payment transaction is a share-based payment transaction where goods or services are received and settled in equity instruments of the entity (including shares or share options).

Tax base

The tax base of an asset is the amount that is deductible for tax purposes if the economic benefits from the asset are taxable or is the carrying amount of the asset if the economic benefits are not taxable.

The tax base of a liability is the carrying amount of the liability less the amount deductible in respect of that liability in future periods.

The tax base of revenue received in advance is the carrying amount less any amount of the revenue that will not be taxed in future periods.

Temporary differences

The differences between the carrying amount of an asset or liability and its tax base.

Transaction costs

Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, ie those that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Treasury shares

An entity's own equity instruments, held by the entity or other members of the consolidated group.

Unearned finance income

The difference between the gross investment in the lease and the net investment in the lease.

Useful life

The period over which an asset is expected to be available for use or the number of production or similar units expected to be obtained from the asset.

Value in use

The present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Vest

To become an entitlement. Under a share-based payment arrangement, a counterparty's rights to receive cash, other assets, or equity instruments of the entity vests upon satisfaction of any specified vesting condition.

Vesting conditions

The conditions that must be satisfied for the counterparty to become entitled to receive cash, other assets or equity instruments of the entity, under a share-based payment arrangement. Vesting conditions include service conditions, which require the other party to complete a specified period of service, and performance conditions, which require specific performance targets to be met (such as a specified increase in the entity's profit over a specified period of time).

Vesting period

The period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied.