Barloworld

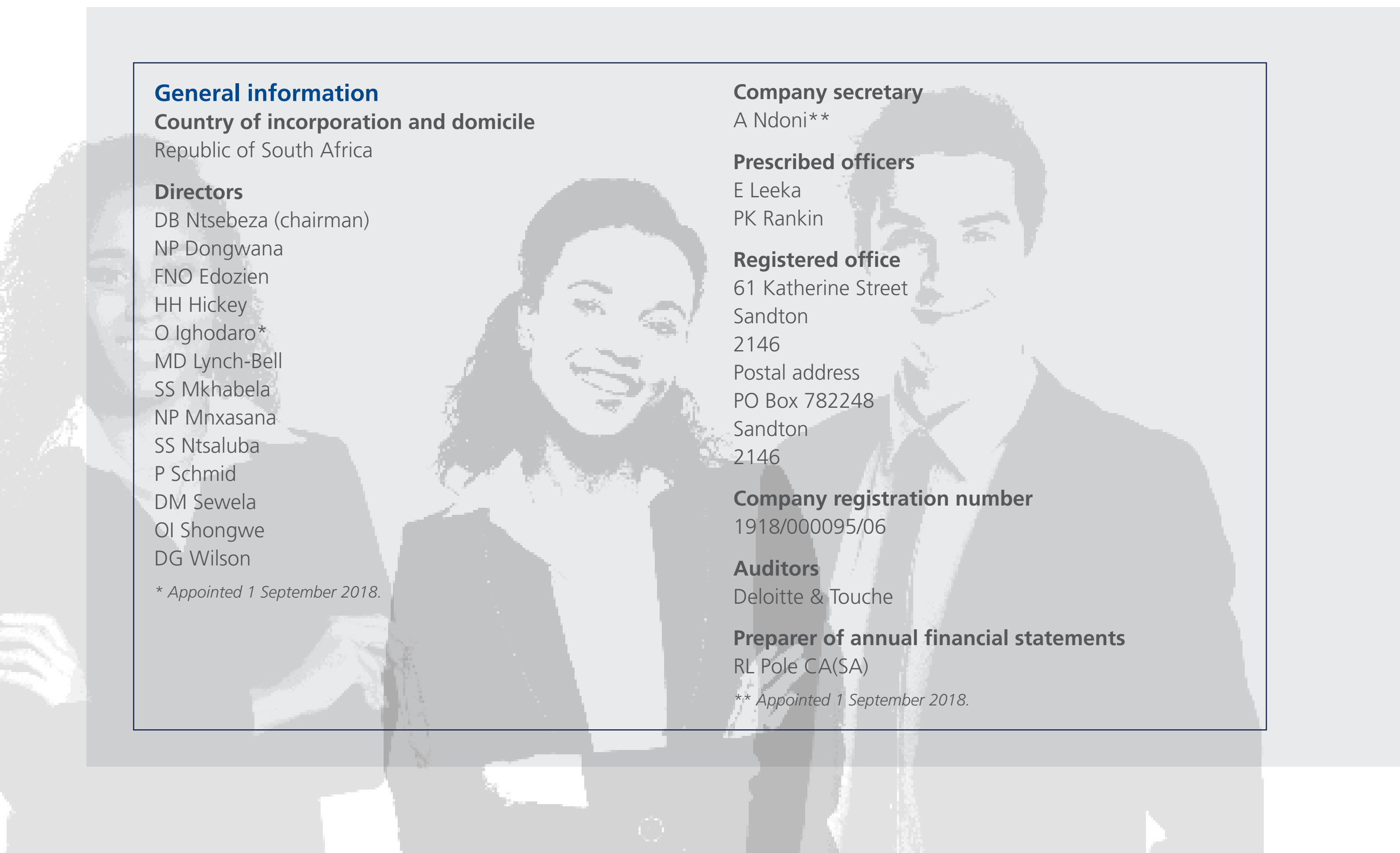
Leading brands

Consolidated Financial Statements **2018**

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 (earthmoving equipment and power systems), Automotive and Logistics (car rental, motor retail, fleet services, used vehicles and disposal solutions, logistics management, supply chain optimisation and waste management). We offer flexible, value adding, innovative business solutions to our customers backed by leading global brands. Barloworld has 116 years of heritage built on solid relationships with our principals and customers. The brands we represent on behalf of our principals include Caterpillar, Avis, Budget, Audi, BMW, Ford, Mazda, Mercedes-Benz, Toyota, Volkswagen 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 16 countries around the world and employs over 17 400 people.



General information

Country of incorporation and domicile
Republic of South Africa

Directors
DB Ntsebeza (chairman)
NP Dongwana
FNO Edozien
HH Hickey
O Ighodaro*
MD Lynch-Bell
SS Mkhabela
NP Mnxasana
SS Ntsaluba
P Schmid
DM Sewela
OI Shongwe
DG Wilson

** Appointed 1 September 2018.*

Company secretary
A Ndoni**

Prescribed officers
E Leeka
PK Rankin

Registered office
61 Katherine Street
Sandton
2146
Postal address
PO Box 782248
Sandton
2146

Company registration number
1918/000095/06

Auditors
Deloitte & Touche

Preparer of annual financial statements
RL Pole CA(SA)

*** Appointed 1 September 2018.*

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Finance director's review

Revenue
R63.4 billion
2017: **R62.07 billion**

Operating profit
R4.4 billion
2017: **R4.16 billion**

Don Wilson, Finance director

In June 2018 the group announced the conclusion of the sale of its Equipment Iberia business. In compliance with IFRS 5, and as presented at the year ended 30 September 2017, the results of the Equipment Iberia operations and the profit on the sale of this operation have been reported separately as a discontinued operation. The following commentary reflects current year trends from the group's continuing operations unless specifically stated.

Financial performance from continued operations for the year ended 30 September 2018

Revenue for the year increased by 2.4% to R63.4 billion (2017: R62.0 billion) on the back of a record performance in Equipment Russia together with solid growth in Equipment Southern Africa. Despite geopolitical challenges in the latter part of the year, Equipment Russia continued to benefit from strong mining activity in the region, specifically the delivery of large orders contracted at the end of 2017, with revenue up by 57% in US Dollar terms to $606 million (2017: $385 million). Equipment Southern Africa revenues of R19.8 billion were 8.1% above prior year (2017: R18.3 billion) driven by mining machine sales in South Africa and Mozambique. Automotive revenues at R29.8 billion (2017: R31.6 billion) were down by 5.6% against the prior year. Automotive trading revenues were impacted by the 2017 closure and disposal of three General Motors and two BMW dealerships, together with the changes in revenue recognition in line with the agency model for Mercedes-Benz new passenger vehicle sales during the year. Logistics' successful turnaround continued with

The group’s financial performance reflects the ongoing commitment to delivering sustainable value to stakeholders.

transport revenues growing by 6.0%, however total Logistics revenue of R5.9 billion (2017: R6.2 billion) was 4% behind the prior year following the loss of key contracts in the prior year.

While the Rand weakened towards the end of the second half of the financial year, a strengthening in the Rand during the first half of the year resulted in a net year to date reduction in revenue of R356 million (0.7%) with the bulk of the reduction impacting Equipment Southern Africa and Russia.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) of R7.0 billion improved by 4.2% while operating profit improved by 7.9% to R4.4 billion (2017: R4.1 billion). Group operating margin increased to 6.9% (2017: 6.6%). Margins in Equipment Russia and Equipment Southern Africa were negatively impacted by stronger mining machine sales mix contributions which in time will contribute positively to aftermarket activity. Russia generated record operating profits of $61.7 million (2017: $43.6 million). Equipment Southern Africa maintained operating profit at R1.8 billion (2017: R1.8 billion) which was assisted by the release of parts inventory provisions following certification of our rebuild facility. Automotive operating margin improved despite closures and disposals in the prior year while operating profit declined by 2.7%. A highlight of this year’s operating profit growth was the turnaround of Logistics which contributed operating profit of R262 million against last year’s R101 million, an increase of 160%.

Net operating profit after tax (NOPAT), a key element of our ROIC metric for determining economic profit (EP), increased by R126 million to R3.3 billion (2017: R3.2 billion).

The net negative fair value adjustments on financial instruments of R133 million (2017: R209 million) largely consist of the cost of forward points on foreign exchange contracts, translation gains and losses on foreign currency denominated monetary assets and liabilities in Equipment Southern Africa. The weakening of the Rand, particularly towards the end of the financial year, resulted in exchange gains in respect of US Dollar held deposits.

Net finance costs of R1 035 billion are down by R186 million (15%) on the prior year due to lower average borrowings and lower funding rates in South Africa.

Losses from non-operating and capital items of R248 million consist largely of impairments of goodwill, intangibles and other assets of R234 million in Logistics following the decision to dispose of the KLL and SmartMatta businesses and the impairment of an investment held by our Automotive investment (R24 million).

The taxation charge increased by R385 million and the effective tax rate (excluding prior year taxation and non-operating and capital items) increased to 28.5% (2017: 23.9%) largely as a result of local currency weakness against the US Dollar in certain offshore operations. In particular, the group's tax charge was negatively impacted by the weakening Angolan Kwanza, Zambian Kwatcha and Russian Ruble against the US Dollar.

The increase in income from associates and joint ventures in the year is mainly attributable to the profitability of the Equipment joint venture in the Katanga province of the DRC. Income of R235 million was well up on the R93 million achieved last year.

The discontinued Equipment Iberia operations generated a net gain on sale of R1.6 billion, representing the premium to net asset value of the sale of proceeds and a R1.5 billion gain in respect of the recycling of exchange reserves accumulated since the acquisition in 1992.

Overall, profit from continuing operations increased by R247 million (12.2%) to R2.3 billion and headline earnings per share (HEPS) from continuing operations increased by 18% to 1 151 cents (2017: 975 cents). Total HEPS including discontinued operations increased by 35% from 883 cents to 1 192 cents.

Cash flows

Generating cash flow is a key returns measure for management and the group achieved net cash flows before financing activities of R2.6 billion, which was in line with the prior year. This was after dividend payments of R953 million for the year.

Cash generated from operations of R3.8 billion was down on the prior year (2017: R6.0 billion) but strong in light of market conditions weighing on our operations.

The group invested R2.1 billion into working capital in the current year compared to the R1.5 billion reduction last year. The increase was largely as a result of increased inventories and receivables in our Equipment businesses. Investments in our rental and leasing fleets were contained to R2.2 billion (2017: R2.9 billion) with car rental well down on the prior year.

Cash inflows from investing activities of R1.9 billion (2017: R329 million outflow) included the proceeds from the sale of Equipment Iberia of R2.5 billion (€163 million).

Our ongoing strategy to hedge our exposure in Angola by investing in Angolan US Dollar linked government bonds protected us against the Kwanza devaluation of more than 76% that has occurred since January 2018 following that currency's unpegging from the US Dollar. Due to improved US Dollar currency allocations in Angola in the latter part of the year we have marginally reduced our investment in Angolan US Dollar linked government bonds at September 2018 to US Dollar 64 million (2017: US Dollar 66 million) and we have reduced our Kwanza cash on hand by US Dollar 20 million.

Financial position

Total assets employed in the group increased by R2.9 billion (6.3%) driven by increased inventories and receivables in our Equipment businesses, together with an increase of R4 billion in cash on hand at year end. Assets held for sale of R497 million include the Logistics Middle East business, the KLL and SmartMatta Logistics assets and the Barlow Park office park.

Total debt increased by R1.5 billion to R11.2 billion (2017: R9.7 billion) while net debt of R3.3 billion was R2.5 billion down on the prior year (2017: R5.8 billion) as a result of the increase in cash on hand.

The UK pension scheme deficit decreased from R2.2 billion (£123 million) to R1.8 billion (£95 million) mainly due to an increase in the AA corporate bond yield which reduced the estimated future pension liability. As part of the 2017 triennial recovery plan agreement with the trustees and the UK Pensions Regulator, the group has agreed a payment plan for the next eight years to address the actuarial deficit at the 2017 valuation date.

Returns

Return on equity from continuing operations increased to 11.4% from 10.5% last year. Return on invested capital increased to 12.3% from 11.2% driven by increased NOPAT and a reduction in our overall invested capital to R26.0 billion (2017: R26.6 billion). The primary driver of the reduction in invested capital was in the Logistics business where management has reduced the invested capital by R510 million.

Debt

In October 2017 bonds totalling R425 million (BAW3 and BAW8) matured and were repaid using available banking facilities. In February 2018, BAW29, a five-year, R400 million bond was issued in anticipation of bonds maturing in the latter part of the calendar year. BAW11 and BAW17, totalling R1.2 billion, mature in October and December 2018 respectively with BAW11 repaid just after year end using existing facilities. The refinance of BAW17 will be addressed with a new R700 million three-year bond to be issued in December 2018. Overall the group debt maturity profile is well balanced in future years.

Closing South African short-term debt includes commercial paper totalling R700 million (2017: R643 million). Subject to funding rates, we expect to maintain our participation in this market.

At 30 September 2018 the group had unutilised borrowing facilities of R10.6 billion (2017: R10.7 billion) of which R8.1 billion (2017: R8.0 billion) was committed. The group's ratio of long-term to short-term debt declined to 54%:46% (2017: 79%: 21%). The increased short-term debt ratio is attributable to maturing bonds of R1.2 billion (as highlighted above). The group has sufficient long-term committed facilities to cover short-term debt.

In March 2018 Moody's raised Barloworld's Global Scale outlook from negative to stable following the change of outlook on the Baa3 sovereign rating of South Africa and on 2 May 2018 Moody's affirmed our long-term and short-term issuer Global Scale Rating of Baa3 and P-3 and long-term and short-term issuer National Scale Rating of Aa1.za and P-1.

Net debt to EBITDA of 0.5 times is well down on the prior year of 0.9 times and supports our capacity for future transactions. Net debt to equity has also reduced to 14.7% from 27.6% in the prior year with 176% of our year-end net debt in the leasing and Car Rental business segments and the Trading segment in a net cash position.

Dividends

Barloworld's dividend policy is to pay dividends within an annual HEPS cover range of 2.5 to 3.0 times. On the back of the results of the year, dividends totalling 462 cents per ordinary share have been declared, representing cover of 2.5 times.

2019 outlook

The execution of our strategy to fix, optimise and grow the business has yielded improved returns for our shareholders and we remain committed to delivering on this strategy. Notwithstanding Logistics' commendable results for 2018, pressure remains on the turnaround of that business with the aim of driving returns closer to the group hurdle rates.

The low gearing levels in the group mainly as a result of high cash on hand will be addressed going forward by both acquisitions and optimisation of the existing capital structure to improve group returns.

DG Wilson
Finance director

Directors' responsibility and approval

The directors of Barloworld Limited (the company) have the pleasure of presenting the consolidated (Barloworld Limited and its subsidiaries also referred to as the group) and company financial statements for the year ended 30 September 2018.

In terms of the South African Companies Act 71 of 2008 (as amended) the directors are required to prepare the consolidated and company financial statements that fairly present the state of affairs and business of the group and company at the end of the financial year, and of the profit or loss for that year. To achieve the highest standards of financial reporting, these financial statements have been drawn up to comply with International Financial Reporting Standards (IFRS) and interpretations of IFRS standards, as issued by the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act.

The reports by the chairman, the chief executive, the finance director and the detailed operational reports discuss the results of operations for the year and those matters which are material for an appreciation of the state of affairs and business of the company and of the Barloworld group.

On the recommendation by the audit committee, the directors considered and are satisfied that the internal controls, systems and procedures in operation provide reasonable assurance that all assets are safeguarded, that transactions are properly executed and recorded, and that the possibility of material loss or misstatement is minimised. The directors have reviewed the appropriateness of the accounting policies, and concluded that estimates and judgements are prudent. They are of the opinion that the financial statements fairly present in all material respects the state of affairs and business of the group and company at 30 September 2018 and of the profit for the year to that date. The external auditors, who have unrestricted access to all records and information, as well as to the audit committee, concur with this statement.

In addition, the directors have also reviewed the cash flow forecast for the year to 30 September 2019 and believe that the Barloworld group and company have adequate resources to continue in operation for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

The financial statements were approved by the board of directors and were signed on its behalf by:

DB Ntsebeza
Chairman

DM Sewela
Chief executive

DG Wilson
Finance director

Sandton
16 November 2018

Preparer of financial statements

for the year ended 30 September 2018

These financial statements have been prepared under the supervision of RL Pole BCom, BComm, CA(SA).

RL Pole
Group general manager: finance

Sandton
16 November 2018

Independent auditor's report
To the shareholders of Barloworld Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate financial statements of Barloworld Limited and its subsidiaries (the group) set out on pages 17 to 113, which comprise the statements of financial position as at 30 September 2018, and the income statements, statements of comprehensive income, statements of changes in equity and the statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 30 September 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. No key audit matters were identified for the separate financial statements.

Key audit matter	How the matter was addressed in the audit
Goodwill and indefinite useful life intangible assets	
As disclosed in notes 11 and 12, the group's goodwill and indefinite useful life intangible asset balances are R3 401 million (2017: R3 534 million) in aggregate and makes up 6.9% (2017: 7.6%) of the group's total assets. In accordance with IAS 36 Impairment of Assets (IAS 36), annual impairment tests are conducted under the supervision of the directors to assess the recoverability of the carrying value of goodwill and indefinite useful life intangible assets. A discounted cash flow model (DCF) is used to assess the recoverability of both the goodwill and the indefinite useful life intangible assets as disclosed in note 11. The assumptions with the most significant impact on the cash flow forecast are: – the growth rate which is considered to be highly subjective as it is based on historical experience and expectations rather than observable market data; and – the discount rate which is a complex calculation performed by independent experts for each cash-generating unit (CGU), taking into consideration country or region-specific risk-free rates. Furthermore, in the current year, increased pressures on current and forecast profits have resulted in reduced levels of headroom per CGU. The number of CGUs across the group, the complexity in calculating the discount rates, the judgement applied in estimating the growth rates as well as the cumulative value of the goodwill and indefinite useful life intangible assets makes the valuation of these balances a key audit matter.	Our audit procedures included the following: – Evaluating the design and testing the implementation of key controls around the calculation of the discounted cash flow – Assessing the considerations made under the supervision of the directors in identifying the CGUs against the requirements set out in IAS 36 – Engaging our corporate finance experts to assess compliance of the DCF with IAS 36, industry norms, as well as the discount rates calculated by the independent experts – Assessing the competence, qualifications, capabilities and objectivity of the independent experts – Assessing the reasonability of the projected growth rates against historical performance and terminal value assumptions applied in the DCF – Performing sensitivity analyses on the valuations, increasing the discount rates and decreasing the growth rates and compared these results with the carrying values of goodwill and indefinite useful life intangible asset. We concur with the directors' conclusion that the assumptions used in the DCF were reasonable and no impairment has been recorded. We consider the disclosures for goodwill and indefinite useful life intangible assets to be appropriate.

Key audit matter	How the matter was addressed in the audit
Valuation of rebuilt parts inventory in Equipment	
As disclosed in note 17, the basis of estimation for the obsolescence provision for rebuilt parts inventory was changed in the current year under the supervision of the directors. We considered the following factors in concluding that the matter is a key audit matter: – The judgement applied in determining whether this change represented a historic error or a change in accounting estimate per the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8) – The level of estimation applied in determining the revised obsolescence provision for rebuilt parts inventory. The change in the provisioning approach for rebuilt parts inventory resulted in a decrease in the provision and a release of historic provisions to the income statement of R130 million. The directors concluded that the change in provisioning approach is a change in accounting estimate as the estimate was revised due to changes in circumstances on which the estimate was based. Consequently, this has been adjusted for prospectively in the current period results.	Our audit procedures included the following: – Evaluating the directors' assessment of the change in provisioning approach representing a change in accounting estimate in terms of IAS 8 – Engaging our accounting experts to assess the compliance of the change in provisioning approach with the requirements of IAS 8 – Robustly challenging the assumptions used in the new obsolescence provision for rebuilt parts inventory – Assessing the appropriateness of the new obsolescence provision for rebuilt parts inventory by analysing inventory turnover days and forecast demand. We concur with the directors' conclusion that the change in provisioning approach constitutes a change in accounting estimate in terms of IAS 8. We consider the assumptions used in the revised obsolescence provision for rebuilt parts inventory to be appropriate. We consider the disclosures for the change in accounting estimate to be acceptable.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the directors' report, the audit committee's report and the company secretary's Certificate, as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report and the integrated report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and company's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors
- Conclude on the appropriateness of the directors' use of the going-concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Barloworld Limited for one hundred years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: Bongisipho Nyembe
Partner

16 November 2018

Buildings 1 and 2
Deloitte Place
The Woodlands
Woodlands Drive
Woodmead
Sandton
2196

Certificate by secretary

for the year ended 30 September

In my capacity as the company secretary, I hereby certify that, to the best of my knowledge and belief, Barloworld Limited has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act 71 of 2008 (as amended). Further, I certify that such returns and notices are true, correct and up to date.

AT Ndoni
Company secretary

Sandton
16 November 2018

Audit committee report

for the year ended 30 September

The audit committee conducted its work in accordance with the written terms of reference approved by the board (information on this is recorded in the corporate governance report) and is pleased to present its report in terms of the King Code, the Companies Act and the Listings Requirements of the JSE (the Listing Requirements) for the financial year ended 30 September 2018.

The committee is satisfied that it has performed both the statutory requirements for an audit committee as set out in the King Code, the Companies Act, the Listing Requirements, as well as the functions set out in the terms of reference, and that it has therefore complied with its legal, regulatory or other responsibilities.

Membership

During the year under review the audit committee consisted of SS Ntsaluba (chairman), FNO Edozien, M Lynch-Bell, N Mnxasana and HH Hickey (appointed 15 November 2017). Six meetings were held in the year. Details of attendance are included in the integrated report available at www.barloworld.com.

The chief executive officer, finance director, group executive: human capital, internal auditor, external auditor and finance executives also attend meetings of the audit committee as invitees. The internal and external auditor both have unrestricted access to the audit committee and regularly have confidential meetings without members of executive management being present.

External audit

The committee

- Nominated and recommended to shareholders that Deloitte & Touche be appointed as independent external auditors for the company and its subsidiaries (excluding the Barloworld Logistics group) and the appointment of Mr B Nyembe as the independent designated auditor for the company for the financial year ending 30 September 2019 in compliance with the Companies Act and the Listings Requirements of the JSE Limited. Following the 2018 audit, Deloitte and Touche has been the external auditor of Barloworld for 100 years and B Nyembe has been the designated auditor for the past three years
- In line with the group's commitment to transformation, we nominated and recommended to shareholders of Barloworld Logistics Africa Proprietary Limited, a subsidiary of Barloworld Limited, that SizweNtsalubaGobodo-Grant Thornton be appointed as independent external auditors of the Barloworld Logistics business for the financial year ending 30 September 2019. This will be the second year that SizweNtsalubaGobodo-Grant Thornton have been the external auditors for the Barloworld Logistics business
- Received confirmation from the external auditor that it is independent of the group
- Concluded that, together with mandated partner rotation at various levels and other policies and procedures in force, the numerous changes in the management of the Barloworld group during the external audit firm's tenure mitigate the risk of familiarity between the external auditor and management
- Considered the quality controls processes of the external auditor and specifically audit quality reviews conducted over the designated auditor, including those performed by the Independent Regulatory Board for Auditors (IRBA) as part of its routine review process
- Considered and confirmed the proposed external audit fees for each division and the group in consultation with group management and approved the external audit engagement letter
- Reviewed and approved the policy for non-audit services that can be provided by the external auditor and the pre-approval authorisation process for these services that the external auditor may provide, and
- Considered to its satisfaction the independence, objectivity and effectiveness of the external auditor and ensured that the scope of its additional (non-audit) services provided were, individually and in aggregate, in compliance with the group's policies in this regard. Refer to note 3 of the financial statements where fees paid to Deloitte and Touche are disclosed.

Key audit matters

The committee has considered the following key audit matters during the financial year ended 30 September 2018:

- **Valuation of goodwill and intangible assets:**
  The committee spent time understanding the significant estimates and judgements applied in management's valuation and impairment assessments and challenged these where necessary. The committee deliberated over management's determination of the cash generated units to which goodwill is allocated and was satisfied with management's conclusions. The committee assessed management's value-in-use calculations by considering, among others, the following:
  - The reasonableness of management's assumptions used in determining future cash flows
  - The terminal value and discount rates applied in management's value-in-use calculations
  - The work of management's independent expert who assisted with the determination of the weighted average cost of capital (WACC) rates applied by management in its value in use calculations.

- The sensitivity analysis performed by management over the value-in-use calculations.

We are satisfied that the impairments recognised fairly reflect the expected value-in-use of the underlying assets and that the remaining goodwill and intangibles have sufficient headroom to support their carrying value.

The committee also assessed management's disclosures in this regard and concluded that the disclosures presented in notes 11 and 12 are fairly presented in terms of International Financial Reporting Standards (IFRS).

The external auditor:
- Explained the audit procedures applied to test management's value-in-use calculations
- Explained the role of corporate finance specialists in executing their audit procedures
- Considered the financial statement disclosure requirements of IFRS
- Challenged the work of management's independent expert who assisted with the determination of the WACC rates applied in management's value-in-use calculations.

Based on the audit work performed, the auditor was satisfied with the impairments recognised and the resulting carrying value of goodwill and intangible assets as presented in notes 11 and 12 to the financial statements.

- **Determination of net realisable value of dealer parts exchange components and remanufactured inventories (Rebuilt inventories):**
  The committee considered the changes in circumstances and new information arising in the year that directly influenced management's decision to re-assess their methodology for determining the Rebuilt inventories net realisable value (NRV) provision. In assessing this matter, the committee specifically considered the principles in IAS 2 Inventories and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8).

  The committee noted that the Barloworld Rebuild Centre (BRC), established in May 2012, is an integral part of Equipment Southern Africa's strategy to provide cost effective and timely parts solutions to its customers to avoid downtime. It was recorded that in April 2018 the BRC became a certified Caterpillar remanufacturing dealer. This world-class certification warrants that the BRC meets Caterpillar's standards of excellence for quality, cleanliness and efficient processes. In turn, the committee was satisfied that, through this certification, Rebuilt inventories produced in this facility are considered to be of a high quality and thus selling prices are valued accordingly.

  In light of the above change in circumstances that transpired in the current financial year, the committee reviewed management's revised estimate of the NRV provision recognised against Rebuilt inventories. The committee challenged the categorisation of Rebuilt inventories, including factors that management applied in determining inventory turns, and also considered the appropriateness of the sliding scale applied to calculate the Rebuilt inventory NRV provision. The committee was satisfied that management undertook a sufficiently robust process to determine the NRV of Rebuilt inventories and that the revised estimation technique was in accordance with IAS 2. After careful consideration the committee concurred that management's change in estimating the Rebuilt inventories NRV provision represented a change in estimate resulting from of a change in circumstances in the current year. The committee further assessed management's disclosures in this regard and concluded that the disclosures presented in note 17 to the financial statements comply with IAS 8.

  The external auditor:
  - Explained its audit procedures to test the valuation of inventory and to review management's calculations of the net realisable value
  - Explained its considerations for concurring that the change in management's technique for determining the NRV of Rebuilt inventories was considered a change in estimate in accordance with IAS 8
  - Considered the financial statement disclosure requirements of IAS 8.

Based on the audit work performed, the auditor was satisfied with the valuation of Rebuilt inventory.

Key areas of focus

In addition to executing on its statutory duties and the considering key audit matters, the committee also addressed the following key areas of focus during the year ended 30 September 2018.

- **New accounting standards**
  The committee considered new standards, in particular IFRS9 and IFRS15, interpretations and amendments to standards in issue that are not yet adopted but are likely to affect the financial reporting in future years and disclosure thereof in the annual financial statements.

- **Mandatory audit firm rotation**
  The IRBA's requirement for mandatory audit firm rotation will

be effective for the group's financial year ending 30 September 2024. The audit committee concluded that the group should appoint a new external audit firm for the group's financial year ending 30 September 2020. This process will commence in early 2019.

Internal audit

The committee

- Reviewed the appropriateness of the internal audit charter and recommended the approval of the charter by the board
- Approved the one-year operational internal audit work plan as well as the capacity and resources within the internal audit function to execute its work plan and monitored adherence of internal audit to its annual plan
- Monitored and supervised the functioning and performance of internal audit, compliance with its charter and reviewed and approved the annual risk based audit plans, resources and budgets. Reviewed the appropriateness of the group's combined assurance model to ensure that the significant risks identified in the high-level risk assessments are adequately addressed
- Received and reviewed reports from both internal and external auditors concerning the effectiveness of the internal control environment, systems and processes as well as their concerns arising out of their audits and requested appropriate responses from management
- Reviewed the results of the financial control management self-assessments as contained in the Barloworld internal control matrix which is completed in respect of all business units and operations in the group
- Reviewed and evaluated the nature and extent of the documented review of internal financial controls performed by internal audit and evaluated whether any weaknesses identified in such financial controls were considered sufficiently material to be reported to the board and the stakeholders
- Reviewed the report prepared by internal audit regarding the risk management process in the group and the level of embeddedness of such processes within each operating division
- Reviewed the group information security policy and the results of the internal self-assessments of the levels of control in place across the group
- Reviewed the results of divisional and business unit disaster recovery self-assessments, the testing of such plans and the internal audit review of such disaster recovery plans
- Reviewed the performance and confirmed the suitability and expertise of the group head of internal audit Miss G Dimitriadis; and considered the appropriateness of the expertise and adequacy of the resources of the group's internal audit function, and
- To further the transformation agenda of the group, nominated and recommended the appointment of MASA as a co-sourcing partner to Barloworld's existing internal audit function for the 2018 financial year following Nkonki's announcement that it would enter into voluntary liquidation in April 2018.

Internal control

Based on the results of the formal documented review of the group's system of internal controls and risk management conducted by internal audit function during the 2018 financial year and having given due consideration to the results of assurance activities of various assurance providers including considering information and explanations given by management and discussions with the external auditor on the results of the audit, nothing has come to the attention of the committee that caused it to believe that the group's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

Expertise and experience of finance director and the finance function

The committee

- Reviewed the performance and confirmed the suitability and expertise of the group finance director, DG Wilson
- Considered the appropriateness of the expertise, diversity and adequacy of resources of the group's financial function and the effectiveness of the senior members of management responsible for the financial function
- Was actively involved in the appointment of O Ighodaro, CFO-designate, who will succeed DG Wilson as finance director at the next annual general meeting (AGM) of the company planned for February 2019.

Financial statements

The committee

- Considered accounting treatments, significant or unusual transactions and accounting judgements
- Considered the appropriateness of accounting policies and any changes made

Audit committee report continued

for the year ended 30 September

- Met separately with management, external audit and internal audit and the chairman attended the risk and sustainability committee meetings
- Made appropriate recommendations to the board of directors regarding the corrective actions to be taken as a consequence of audit findings
- Reviewed the process in place for the reporting of concerns and complaints relating to accounting practices, internal audit, content of auditing of the group's financial statements, internal controls of the group and any related matters. The committee can confirm that there were no such complaints during the year under review
- Reviewed and recommended for adoption by the board such financial information that is publicly disclosed which for the year included:
  - The interim results for the six months ended 31 March 2018
  - The audited annual results for the year ended 30 September 2018, and
- Reviewed the working capital packs prepared by management to support the board's going concern statement at reporting dates as well as the solvency and liquidity tests required in terms of the Companies Act 71 of 2008.

Financial statements

The audit committee considered the Barloworld Limited consolidated and company financial statements, and the summarised financial statements, (together the financial statements) for the year ended 30 September 2018. The audit committee has also considered the non-financial information as disclosed in the integrated report and has assessed its consistency with operational and other information known to audit committee members. The committee has also considered the external assurance provider's report and is satisfied that the information is reliable and consistent with the financial results. The financial statements have been prepared using appropriate accounting policies, which conform to IFRS.

At the meeting held on 13 November 2018 the audit committee recommended the financial statements for the year ended 30 September 2018 for approval to the board.

SS Ntsaluba
Audit committee chairman
For and on behalf of the Barloworld Limited audit committee

16 November 2018

Directors' report

for the year ended 30 September

Nature of business

Barloworld Limited (Barloworld or company) is a registered holding company for a group that is a distributor of leading international brands providing integrated rental, fleet management, product support and logistics solutions. Barloworld comprises businesses that fit the strategic profile above, meet strict performance criteria and demonstrate good growth potential.

Barloworld maintains a primary listing on the main board of the JSE Limited. The company also has secondary listings on the London and Namibia stock exchanges.

The core divisions of the group comprise:

- Equipment (earthmoving and power systems)
- Automotive (car rental, motor retail, fleet services, used vehicles and disposal solutions)
- Logistics (logistics management and supply chain optimisation), and
- Corporate Office (group headquarters and treasury in Johannesburg, the treasury in Maidenhead (United Kingdom) and the captive insurance company).

Financial results

The following commentary reflects results from continuing operations.

Revenue for the year of R63.4 billion and operating profit of R4.4 billion were up against last year on the back of record results in Equipment Russia and the turnaround of our Logistics business. Profit after tax (before associates) of R2.0 billion was ahead of the prior year, and the strong performance of our joint venture in the Katanga region of the DRC contributed to growth in profit to 2.3 billion (2017: 2.0 billion). Headline earnings per share (HEPS) of 1 151 cents is an increase of 176 cents (18%) over the prior year.

The group generated a strong cash inflow before financing activities of R2.6 billion mainly driven by proceeds on the sale of Equipment Iberia of R2.5 billion. Net debt of R3.3 billion was R2.5 billion down on September 2017 net debt of R5.8 billion.

The consolidated and company financial statements are available on the company's website, www.barloworld.com.

Share capital

The authorised share capital as at 30 September 2018:

- 400 000 000 ordinary par value shares of R0.05 each
- 500 000 6% cumulative preference shares of R2 each.

The issued share capital as at 30 September 2018:

- 212 692 583 ordinary par value shares of R0.05 each
- 375 000 6% cumulative preference shares of R2 each.

Major shareholders

Shareholders holding beneficially, directly or indirectly, in excess of 3% of the issued share capital of the company at 30 September 2018 is detailed on page 119 of the integrated report.

Dividends

Details of the dividends and distributions declared and paid are shown below:
Final dividend number 180 of 317 cents (gross) per ordinary share

Dividend declared
Monday, 19 November 2018
Last day to trade cum dividend
Tuesday, 8 January 2019
Shares trade ex-dividend
Wednesday, 9 January 2019
Record date
Friday, 11 January 2019
Payment date
Monday, 14 January 2019

The directors concluded that the company would be both solvent and liquid subsequent to such dividend declarations.

Changes in directorate and executive management

At the AGM scheduled for 14 February 2018, Ms Sibongile Mkhabela and Mr Isaac Shongwe will retire as directors of the board and Mr Donald Wilson will retire as a member of the board and finance director. In line with a structured board nomination process for appointment of non-executive directors of Barloworld Limited Ms Neo Mokhesi and Mr Hugh Molotsi were appointed independent non-executive directors effective 1 February 2019.

Ms Olufunke Ighodaro was appointed as an executive director of the board and CFO designate of the company effective 1 October 2018. She will succeed Mr Wilson as finance director of Barloworld at the AGM in February 2019.

Company secretary and registered office

Following the resignation of Lerato Manaka as the company secretary, Ms Andiswa Ndoni was appointed company secretary effective 1 September 2018 and her business address and that of the registered office appear on the inside back cover.

Auditors

Deloitte & Touche continued in office as auditors for the company and its significant subsidiaries. Barloworld continues to engage emerging and black-owned professional service providers to drive diversity in its supply chain and provide them with access to the broader market.

SizweNtsalubaGobodo-Grant Thornton performed the 2018 external audit for the Logistics division.

Directors' report continued

for the year ended 30 September

At the forthcoming AGM, shareholders will be requested to reappoint Deloitte & Touche as the registered independent external auditors of Barloworld Limited for the 2019 financial year and to confirm Mr B Nyembe, as the lead independent external auditor.

Acquisitions and disposals

Acquisitions in the year were limited to the buyout of the minorities in the SMD Motor Trading business. As previously communicated, our Equipment Iberia business was sold in June 2018. This sale generated a profit on disposal of R1.6 billion including R1.5 billion relating to the recycling of foreign currency translation reserves to retained income. Consistent with the prior year, Logistics Middle East has been presented as assets and liabilities held for sale, In the current year, the decision was taken to dispose of our interests in KLL and SmartMatta within our Logistics business and these operations have also been classified as held for sale. The businesses of the group disclosed as held for sale are not so significant to be presented as discontinued operations.

Going concern

The directors consider that the group and company have adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the consolidated and separate financial statements. The directors have satisfied themselves that the group and company are in a sound financial position and that they have access to sufficient borrowing facilities to meet foreseeable cash requirements.

Events after the reporting period

On 15 November 2018 the board approved a proposed B-BBEE transaction to be known as Khula Sizwe. This proposed transaction seeks to have participation from our employees, management and the general public in South Africa. The proposed transaction is subject to the approval by shareholders and will be voted on at the annual general meeting scheduled for February 2019.

To the knowledge of the directors no other material events have occurred between the statement of financial position date and the date of approval of these financial statements that would affect the ability of the users of the financial statements to make proper evaluations and decisions.

Accounting policies

DEFINITIONS

Refer to pages 128 to 136 and www.barloworld.com for a list of financial terms used in the annual financial statements of Barloworld Limited (the company) and consolidated financial statements.

BASIS OF PREPARATION

1. Accounting framework

The financial statements 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 basis of preparation is consistent with the prior year, except for new and revised standards and interpretations adopted per note 33 to the financial statements. This year, we have reduced our accounting policy disclosures for the first time. Accounting policies, which are useful to users, especially where particular accounting policies are based on judgement regarding choices within IFRS, have been disclosed.

Accounting policies for which no choice is permitted in terms of IFRS have been included only if management 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 group has made the following accounting policy choices in terms of IFRS:

- Interest in associates and joint ventures are accounted using the equity method (policy note 15)
- The cost model is applied in accounting for property, plant and equipment and leased assets (policy note 12)
- All other accounting policies are in line with IFRS.

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.

EBITDA refers to earnings before interest, taxes, depreciation and amortisation.

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. Items of income/expense included in non-operating and capital items are consistent with items that are 'out of' (excluded from) headline earnings per share (HEPS) in accordance with the JSE Listings Requirements and guidance published by the South African Institute of Chartered Accountants relating to HEPS.

All financial information has been rounded to the nearest million unless stated otherwise.

3. Judgements and estimates 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.

Accounting policies which have been identified as involving particularly complex or subjective judgements or assessments are as follows:

Revenue recognition

The percentage of completion method is applied to recognise revenue on long-term maintenance and repair contracts (MARC) in the Equipment and Automotive businesses. Management exercises judgement in calculating the deferred revenue reserve which is based on the anticipated cost of repairs over the life cycle of the equipment or motor vehicles, applied to the total expected future revenue arising from MARC. Deferred revenue is released as the services are provided in line with the transfer of risks and rewards principle. For further detail refer to note 2 included in the annual financial statements.

Within the Equipment business certain sales are executed through sale and lease arrangements with financial institutions. In such transactions, revenue is recognised on the basis that the company takes utilisation risk in respect of the equipment rental to end customers but does not retain any credit risk or residual value risk and earns only some of the reward for selling the equipment on behalf of the financial institution at the expiry of the lease. Where credit risk and/or residual value risk is borne by the company or where there is existence of bargain purchase options in favour of Barloworld, such arrangements are classified as finance leases.

Impairment of assets

Goodwill and intangible assets

Future cash flows expected to be generated by the assets or cash-generating units are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value.

Cash flows which are utilised in these assessments are extracted from formal five-year business plans which are updated annually. The company utilises a discounted cash flow valuation model to determine asset and cash-generating unit values supplemented, where appropriate, by other valuation techniques.

For further details of management's impairment assessments over goodwill and intangible assets refer to notes 10 and 11 included in the annual financial statements.

Receivables
Receivables are reviewed for impairment on an individual basis. Factors considered in the impairment assessment include the ageing of past-due receivables, the credit quality of counterparties, historical credit losses, existing market conditions, collateral and/or insurance held over the receivables, as well as any existing disputes regarding price, delivery, quality and authorisation of any work done over the underlying assets sold/services performed. For further detail refer to note 18 included in the annual financial statements.

Deferred taxation assets
Deferred taxation assets are recognised to the extent it is probable that taxable income will be available in future against which they can be utilised.

Five-year business plans are prepared annually and approved by the boards of the company and its major operating subsidiaries. These plans include estimates and assumptions regarding economic growth, interest rates, inflation and competitive forces.

The plans contain profit forecasts and cash flows and these are utilised in the assessment of the recoverability of deferred taxation assets.

Management also exercises judgement in assessing the likelihood that business plans will be achieved and that the deferred taxation assets are recoverable.

In certain circumstances further corroborative evidence is used, such as tax planning opportunities within the control of management, to support the recovery of the taxation asset.

Recognition and derecognition of assets
Within the Equipment division certain sale and leaseback finance arrangements result in the derecognition of assets in instances where risk and reward of ownership are assessed as having passed to the purchaser.

Asset lives and residual values
Property, plant and equipment with the exception of Equipment and Automotive rental/fleet assets are 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, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Short-term car rental fleets are depreciated to guaranteed residual value or by 20% per annum where no residual values have been guaranteed.

Post-employment benefit obligations
Actuarial valuations are based on assumptions which include employee turnover, mortality rates, the discount rate, the expected long-term rate of return of retirement plan assets, healthcare inflation cost and rates of increase in compensation costs.

Judgement is exercised by management, assisted by advisers, in adjusting mortality rates to take account of actual mortality rates within the schemes.

Provisions
Warranty claims provision
Warranties are provided on certain equipment, spare parts and services supplied to customers. Management exercises judgement in establishing provisions required on the basis of claims notified and past experience.

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the estimated expenditure required to settle the group's obligation.

Within the Equipment and Automotive divisions warranties are provided on certain equipment based on warranties supplied by the OEMs (original equipment manufacturers) for spare parts and service supplied to customers. For further detail refer to note 23 included in the annual financial statements.

Maintenance provision
Deferred revenue from maintenance contracts on equipment, forklift trucks and motor vehicles is initially recognised as a provision and is released as income over the life cycle of the contracts.

Within the Equipment and Automotive divisions maintenance provisions are recognised for expected maintenance and repair costs over the life cycle of the relevant assets based on historical costs incurred and expected utilisation. For further detail refer to note 23 included in the annual financial statements.

Provision for net realisable value of inventory
Equipment inventory consists of machines, parts and work-in-progress.

Machine inventory is reviewed by country and by machine model taking into account the ageing, market demand and condition of the machine to determine the net realisable value.

Parts inventory is categorised as follows:
- strategic parts with longer lead times or parts required to support new machine models;
- non-strategic parts that are generally faster moving parts;
- perishable parts with a limited shelf life;
- remanufactured components;
- returnable and non-returnable;
- rebuilt components.

Obsolete, slow-moving and damaged inventories are identified for each parts category. Returnable slow moving parts are reduced to the net realisable value based on inventory turns and by applying a sliding provisioning scale.

The methodology for determining the provision for the net realisable value of rebuilt components was changed in the current financial year. This change represented a change in accounting estimate and has been disclosed in note 17. Rebuilt component parts are stratified by country taking into account market demand, condition of the component and ageing and the net realisable value is determined by applying a sliding provisioning scale.

Automotive inventory consists of new, used and demo vehicles as well as parts stock.

The net realisable value of all used, demo and parts stock is assessed at every reporting date taking into account the ageing, condition and the current market demand for such items.

Classification of financial liabilities

The Automotive and Equipment businesses utilise floor plan and trade financing facilities to efficiently manage working capital flows. Judgement is exercised regarding whether these arrangements constitute trade payables or debt. Factors considered include the currency in which the financing arrangements are settled, the repayment terms of the facilities relative to standard supplier payment terms and the existence of breakage costs on these facilities. To ensure comparability and consistency, current industry practices are also considered as part of this determination.

Interests in subsidiaries

The trust established to hold the shares awarded in the black economic empowerment transaction to the education entity is considered to be controlled by the company. Accordingly the assets and liabilities and the results of this trust have been consolidated since the date of the transaction.

Functional currencies

The US Dollar has been selected as the functional currency for the group's operations across the majority of the African territories and in Russia. A combination of factors is considered in coming to this conclusion. These included the assessment of the economic environment where the operations are located, the currency that most influences the cost of goods and the pricing decisions and the relative stability of the local currencies in these territories.

4. Foreign currencies

The financial statements of entities within the group whose functional currencies are different to the group's presentation currency, which is South African Rand, include the following significant currencies:
- US Dollar
- British Pound
- Euro
- Russian Ruble
- Angolan Kwanza

CONSOLIDATED FINANCIAL STATEMENTS

5. Operating segments

The executive committee has determined the operating segments based on the information it uses to allocate resources and assess segmental performance.

Segments are analysed by operating activities and geographical regions.

No operating segments have been aggregated in arriving at the reportable segments of the group as presented in note 1.

Management evaluates the segment performance based on the operating results 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.

The activities of the group's operating segments are described below:

Southern Africa (SA)

The SA segment includes the following operations:
- *Equipment and Handling*
  This segment delivers construction and mining equipment to the earthmoving industry
- *Automotive and Logistics*
  The Logistics division of this segment includes supply chain solutions to a wide variety of industries. The Automotive division of this segment comprises the following world-class business units; Avis and Budget Rent a Car, Avis Fleet and Motor Trading.
- *Corporate*
  This Corporate Office primarily comprises the operations of the group headquarters and treasury in Johannesburg.

Russia (RUS)

The RUS segment includes the following operation:
- *Equipment*
  This RUS segment delivers construction and mining equipment to the earthmoving industries across Russia.

United Kingdom (UK)

The UK segment includes the following operation:
- *Corporate*
  This Corporate Office primarily comprises the operations of treasury in Maidenhead and the captive insurance company.

INCOME STATEMENT

6. Revenue

Included in revenue are the following revenue streams per division together with a description of the primary products sold and services rendered:

Equipment

- sale of goods: New and used Caterpillar earthmoving equipment, engines and other complementary products;
- rendering of services: Workshop and in-field support services; and
- rentals received: Rental of Caterpillar earthmoving equipment, engines and other complementary products.

Automotive

- sale of goods: New, used and demo motor retailing through traditional channels and digital platforms;
- rendering of services: after-sales services including vehicle services, fitment and repairs;
- rentals received: Fleet management solutions and short-term vehicle rentals; and
- commission revenue: Commissions earned on the sale and auctioning of goods.

Logistics

- Sale of goods: Sale of recyclables and fast moving consumer goods;
- Rendering of services: Logistics services and supply chain management solutions; and
- Commission revenue: Commissions earned on the sale and clearing of goods.

Handling

- sale of goods: Lift trucks, warehouse handling equipment and associated agricultural equipment; and
- rendering of services: After-sales services including equipment services, fitment and repairs.

For further detail refer to note 2 included in the annual financial statements.

7. Employee benefit costs

The cost of providing employee benefits is accounted for in the period in which the benefits are earned by employees.

The cost of short-term employee benefits is recognised in the period in which the service is rendered and is not discounted.

The expected cost of profit-sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance and a reliable estimate of the obligation can be made.

8. Finance costs

Interest on financial liabilities measured at amortised costs is calculated using the effective interest rate method.

Payments relating to capitalised finance lease liabilities are accounted for in terms of IAS 17 based on calculated Internal Rate of Return (IRR). For further detail refer to note 5 included in the annual financial statements.

9. Income from investments

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

10. Taxation

The charge for current taxation is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to the taxable income.

Deferred taxation is recognised in profit or loss except when it relates to items credited or charged to other comprehensive income, in which case it is also recognised in other comprehensive income.

Financial statement items

STATEMENT OF FINANCIAL POSITION

11. Interest in subsidiaries

The disposal of Iberia during the period is included in the consolidated income statement as profit from discontinued operations from the date of losing control. For further detail refer to note 20 included in the annual financial statements.

Non-controlling interest is measured at the proportion of the fair values of the identifiable assets and liabilities acquired.

12. Property, plant and equipment (PPE)

Items of PPE are stated at cost less accumulated depreciation and impairment losses.

The methods of depreciation, useful lives and residual values are reviewed annually.

The following methods and rates were used during the year to depreciate PPE to estimated residual values:

Buildings	Straight line	20 to 50 years
Plant	Straight line	5 to 35 years
Vehicles	Straight line	5 to 10 years
Equipment	Straight line	5 to 10 years
Furniture	Straight line	3 to 15 years
Equipment rental assets	Usage	2 to 5 years

Assets held under finance leases are depreciated over their expected useful lives or the term of the relevant lease, where shorter.

Vehicle rental fleets are accounted for as part of PPE but due to the short-term nature of the assets, the net book value is reflected under current assets in the statement of financial position.

13. Goodwill

Goodwill represents the future economic benefits arising from assets that are not capable of being individually identified and separately recognised in a business combination and is determined as the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate or joint venture recognised at the date of acquisition.

Goodwill is stated at cost less impairment losses and is not amortised.

If, on a business combination, the fair value of the group's interest in the identifiable assets, liabilities and contingent liabilities exceeds the cost of acquisition, this excess is recognised in profit or loss immediately. On disposal of a subsidiary, associate, jointly controlled entity or business unit to which goodwill was allocated on acquisition, the amount attributable to such goodwill is included in the determination of the profit or loss on disposal.

14. Intangible assets

Intangible assets are initially recognised at cost if acquired separately or at fair value if acquired as part of a business combination.

The following methods and rates were used during the year to amortise the intangible assets:

Capitalised software	Straight line	2 to 7 years
Patents	Straight line	10 years
Trademarks	Straight line	10 to 20 years
Customer relationships	Straight line	5 to 6 years

Supplier relationships are measured initially at fair value as part of a business combination. Supplier relationships are separately identifiable intangible assets from distribution agreements with suppliers specifying sales objectives, territory presence and service levels to be provided. Supplier relationships have been assessed as having indefinite useful lives and are tested for impairment annually.

Customer relationships are measured initially at fair value as part of a business combination.

Development costs are capitalised only when and if it results in an asset that can be identified, it is probable that the asset will generate future economic benefits and the development cost can be reliably measured. Otherwise development costs are recognised in profit or loss.

15. Interests in associates and joint ventures

Associates and joint ventures are measured using the equity method of accounting, applying the group's accounting policies, from the acquisition date to the disposal date. The most recent audited annual financial statements of associates and joint ventures are used, which are all within three months of the year end of the group. Adjustments are made to the associate or joint venture's financial results for material transactions and events in the intervening period.

16. Deferred taxation assets and liabilities

Deferred taxation is recognised using the financial position liability method for all temporary differences, unless specifically exempt, at the tax rates that have been enacted or substantially enacted at the financial position date.

A deferred taxation asset represents the amount of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits. Deferred taxation assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

A deferred taxation liability represents the amount of income taxes payable in future periods in respect of taxable temporary differences. Deferred taxation liabilities are recognised for taxable temporary differences, unless specifically exempt.

Deferred taxation assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects immediately neither taxable income nor accounting profit.

Deferred taxation arising on investments in subsidiaries, associates and joint ventures is recognised except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

The group has companies where deferred taxes are recognised for temporary differences that arise when an entity's taxable profit or loss (and thus the tax basis of an entity's non-monetary assets and liabilities) are measured in a currency different from an entity's functional currency. Changes in the exchange rate result in a deferred tax asset or liability which is charged to profit and loss.

17. Non-current assets held for sale and discontinued operations

Non-current assets of the Equipment Iberia operations were classified as held for sale in the prior year and the sale of this operation was concluded during the current financial year. Due to its significance, this segment was classified as a discontinued operation. The remaining assets classified as held for sale during the current year relate to the Middle East, KLL and SmartMatta operations within the Logistics division and the

Barlow Park property owned by Barloworld Limited. For further detail refer to note 20 included in the annual financial statements.

18. Inventories

Inventories are diverse and materially consist of the following:

- finished goods which include vehicles and machines;
- work in progress relating to above mentioned finished goods; and
- and merchandise such as parts etc.

Specific identification basis is used to arrive at the cost of items that are not interchangeable. Otherwise the first-in-first-out method or weighted average method for certain classes of inventory is used to arrive at the cost of items that are interchangeable.

Rental assets that become available for sale after being removed from rental fleets are transferred to inventories (policy note 12) at their carrying amount. Sale proceeds from such rental assets are recognised as revenue in accordance with policy note 6.

19. Financial assets and financial liabilities (Financial instruments)

An instrument is classified as at fair value through profit or loss if it is held for trading, is a derivative or is designated as such upon initial recognition.

Financial assets

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future or it has been part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-making.

If the group has the positive intent and ability to hold debt securities to maturity, then they are classified as held to maturity. Investments that meet the criteria for classification as held to maturity financial assets are carried at amortised cost.

Financial instruments classified as available for sale financial assets are carried at fair value with any resultant gain or loss, other than impairment losses and foreign exchange gains and losses on monetary items, being recognised directly in equity. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest bearing, interest is calculated using the effective interest rate method is recognised in profit or loss.

Where the instrument is not classified as one of the above, it is carried at amortised cost.

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Trade and other receivables are classified as loans and receivables and are measured at amortised cost less provision for doubtful debts, which is determined as set out under impairment of assets set out in policy note 3. Items with extended terms are initially recorded at the present value of future cash flows and interest received is accounted for over the term until payment is received. Write-downs of these assets are expensed in profit or loss.

Cash and cash equivalents are classified as loans and receivables and are measured at fair value.

Financial liabilities

Non-derivative financial liabilities that are not designated on initial recognition as financial liabilities at fair value through profit or loss (including interest-bearing loans and bank overdrafts) are measured at amortised cost using the effective interest rate method. Items with extended terms are initially recorded at the present value of future cash flows. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the accounting policy for borrowing costs (policy note 8).

20. Post-employment benefit obligations

It is the policy of the group to encourage, facilitate and contribute to the provision of retirement benefits for all permanent employees. To this end the group's permanent employees are usually required to be members of either a pension or provident fund, depending on their preference and local legal requirements. The group also guarantees a funded defined benefit scheme for qualifying employees in the United Kingdom.

Payments to defined contribution plans are recognised as an expense as they fall due. Payments made to industry-managed retirement benefit schemes are dealt with as defined contribution plans where the group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

The cost of providing defined benefits is determined using the projected unit credit method. Valuations are conducted every three years and interim adjustments to those valuations are made annually.

Actuarial gains and losses are recognised immediately in the statement of other comprehensive income.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised in profit or loss when the group is demonstrably committed to the curtailment or settlement.

Past service costs are recognised in profit and loss immediately to the extent that the benefits are already vested. Otherwise they are amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for the unrecognised past service costs and reduced by the fair value of plan assets. Any asset is limited to the unrecognised actuarial losses, plus the present value of available refunds and reductions in future contributions to the plan.

TRANSACTIONS AND EVENTS

21. Hedge accounting

Foreign currency and interest rate hedging instruments are used to manage the group's currency and interest rate exposures. Details of the group's risk management policies and practices are outlined in note 31.

All hedging relationships are designated as cash flow hedges. If these cash flow hedges meet the conditions for hedge accounting the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss. A hedge of the foreign currency risk of a firm commitment is designated and accounted for as a cash flow hedge.

22. Leasing

Classification

Leases are classified as finance leases or operating leases at the inception of the lease. Leases where the group has substantially all the risks and rewards of ownership are classified as finance leases.

In the capacity of a lessor

Long-term vehicle fleet is leased to customers for periods ranging from 24 to 60 months as finance leases. For further detail refer to notes 14 and 18 included in the annual financial statements.

In the capacity of a lessee

The majority of finance leases are entered into as lessee for land and buildings, motor vehicles and rental fleets. For further detail refer to notes 22 and 28 included in the annual financial statements.

23. Share-based payments

Equity-settled share options

Executive directors and senior executives have been granted equity-settled share options in terms of the Barloworld Share Option Scheme. After the date on which the options are exercisable and before the expiry date the options can be exercised to purchase shares for cash in which event the shares issued are accounted for in share capital and share premium at the amount of the exercise price.

Forfeitable Share Plan

Executive directors and senior executives have been granted equity-settled shares in terms of the Barloworld Forfeitable Share Plan (FSP). Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant and recognised in profit or loss on a straight-line basis over the vesting period, based on the estimated number of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. Fair value is measured using a binomial pricing model.

Equity-settled share appreciation rights

Equity-settled share appreciation rights have been granted to employees in terms of the Barloworld Share Appreciation Rights (SARs) Scheme. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant and recognised in profit or loss on a straight-line basis over the vesting period, based on the estimated number of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. Fair value is measured using a binomial pricing model.

Cash-settled SARs and FSPs

Cash-settled share appreciation rights and FSPs granted to employees for services rendered or to be rendered are raised as a liability and recognised in profit or loss immediately or, if vesting requirements are applicable, over the vesting period. The liability is measured annually until settled and any changes in value are recognised in profit or loss.

Fair value is measured using a binomial pricing model.

For further detail refer to notes 22 and 28 included in the annual financial statements.

24. Insurance contracts

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Certain transactions within maintenance contracts in equipment and automotive divisions are entered into as insurer which falls within the definition of insurance contracts per IFRS 4 Insurance Contracts. For further detail refer to note 30 included in the annual financial statements.

25. Financial guarantee contracts

The group regards financial guarantee contracts as insurance contracts and uses accounting applicable to insurance contracts. Details regarding financial guarantees issued are disclosed under contingent liabilities.

26. Classification of cash flow activities

For the purposes of the cash flow statement the following are classified as operating activities due to the nature of the segments they relate to:
- Net investment in car rental vehicles
- Net investment in fleet and rental assets.

Consolidated income statement

for the year ended 30 September

	Notes	2018 Rm	2017 Rm
CONTINUING OPERATIONS			
Revenue	2	**63 420**	61 959
Operating profit before items listed below (EBITDA)		**6 978**	6 694
Depreciation		**(2 433)**	(2 468)
Amortisation of intangible assets		**(141)**	(144)
Operating profit	3	**4 404**	4 082
Fair value adjustments on financial instruments	4	**(133)**	(209)
Finance costs	5	**(1 182)**	(1 329)
Income from investments	6	**147**	109
Profit before non-operating and capital items		**3 236**	2 653
Non-operating and capital items	7	**(248)**	(155)
Profit before taxation		**2 988**	2 498
Taxation	8	**(950)**	(565)
Profit after taxation		**2 038**	1 933
Income from associates and joint ventures	13	**235**	93
Profit for the year from continuing operations		**2 273**	2 026
DISCONTINUED OPERATION			
Profit/(loss) from discontinued operation	20	**1 647**	(269)
Profit for the year		**3 920**	1 757
Attributable to:			
Owners of Barloworld Limited		**3 846**	1 643
Non-controlling interests in subsidiaries		**74**	114
		3 920	1 757
Earnings per share from group (cents)			
– basic	9	**1 823.8**	779.6
– diluted	9	**1 812.9**	774.7
Earnings per share from continuing operations (cents)			
– basic	9	**1 042.8**	907.2
– diluted	9	**1 036.5**	901.5
Earnings/(loss) per share from discontinued operation (cents)			
– basic		**781.0**	(127.6)
– diluted		**776.4**	(126.8)

Consolidated statement of other comprehensive income

for the year ended 30 September

	2018 Rm	2017 Rm
Profit for the year	**3 920**	1 757
Items that may be reclassified subsequently to (loss) or profit:	**(874)**	75
Exchange gain on translation of foreign operations	**645**	8
Translation reserves realised on disposal of foreign subsidiaries	**(1 502)**	
(Loss)/gain on cash flow hedges	**(23)**	89
Deferred taxation on cash flow hedges	**6**	(22)
Items that will not be reclassified to profit or loss:	**345**	535
Actuarial gains on post-retirement benefit obligations	**415**	678
Taxation effect of net actuarial gains	**(70)**	(143)
Other comprehensive (loss)/income for the year, net of taxation	**(529)**	610
Total other comprehensive income for the year	**3 391**	2 367
Total other comprehensive income attributable to:		
Barloworld Limited shareholders	**3 317**	2 253
Non-controlling interest	**74**	114
	3 391	2 367

Consolidated statement of financial position

at 30 September

	Notes	2018 Rm	2017 Rm
ASSETS			
Non-current assets		**19 231**	18 613
Property, plant and equipment	10	**12 657**	12 659
Goodwill	11	**1 873**	1 932
Intangible assets	12	**1 528**	1 602
Investment in associates and joint ventures	13	**1 343**	1 093
Finance lease receivables	14	**211**	240
Long-term financial assets	15	**909**	404
Deferred taxation assets	16	**710**	683
Current assets		**29 531**	24 368
Vehicle rental fleet	10	**3 058**	3 222
Inventories	17	**9 592**	8 457
Trade and other receivables	18	**8 883**	8 676
Taxation		**105**	88
Cash and cash equivalents	19	**7 893**	3 925
Assets classified as held for sale	20	**497**	3 343
Total assets		**49 259**	46 324
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	21	**441**	441
Other reserves		**4 194**	5 144
Retained income		**17 598**	14 690
Interest of shareholders of Barloworld Limited		**22 233**	20 275
Non-controlling interest		**517**	602
Interest of all shareholders		**22 750**	20 877
Non-current liabilities		**8 917**	10 852
Interest-bearing	22	**5 995**	7 623
Deferred taxation liabilities	16	**632**	538
Provisions	23	**47**	19
Other non-current liabilities	24	**2 243**	2 672
Current liabilities		**17 466**	13 798
Trade and other payables	25	**11 122**	10 697
Provisions	23	**1 100**	929
Taxation		**70**	117
Amounts due to bankers and short-term loans	26	**5 174**	2 055
Liabilities directly associated with assets classified as held for sale	20	**126**	797
Total equity and liabilities		**49 259**	46 324

Consolidated statement of changes in equity

for the year ended 30 September

	Notes	Share capital and premium Rm	Foreign currency translation reserves Rm	Cash flow hedging reserves Rm	Revaluation, legal and other reserves Rm	Equity compensation reserves Rm
Balance at 1 October 2016		441	4 836	(53)	59	292
Other comprehensive income			8	67		
Profit for the year						
Total comprehensive income for the year			8	67		
Other reserve movements					(25)	(129)
Other changes in minority shareholders' interest and minority loans					89	
Dividends	27					
Balance at 30 September 2017		441	4 844	14	123	163
Other comprehensive (loss)/profit			**(857)**	**(17)**		
Profit for the year						
Total comprehensive (loss)/income for the year			**(857)**	**(17)**		
Other reserve movements				**4**	**45**	**(90)**
Other changes in minority shareholders' interest and minority loans						
Disposal of subsidiary				**(9)**	**(22)**	**(4)**
Dividends	27					
Balance at 30 September 2018		**441**	**3 987**	**(8)**	**146**	**69**

Consolidated statement of changes in equity continued

for the year ended 30 September

Total other reserves	Retained income	Net actuarial losses on post-retirement benefits	Total retained income	Attributable to Barloworld Limited shareholders	Non-controlling interest	Interest of all shareholders
Rm	Rm	Rm	Rm	Rm	Rm	Rm
5 134	16 747	(3 380)	13 367	18 942	737	19 679
75		535	535	610		610
	1 643		1 643	1 643	114	1 757
75	1 643	535	2 178	2 253	114	2 367
(154)	32		32	(122)		(122)
89	(132)		(132)	(43)	(201)	(244)
	(755)		(755)	(755)	(48)	(803)
5 144	17 535	(2 845)	14 690	20 275	602	20 877
(874)		**345**	**345**	**(529)**		**(529)**
	3 846		**3 846**	**3 846**	**74**	**3 920**
(874)	**3 846**	**345**	**4 191**	**3 317**	**74**	**3 391**
(41)	**55**		**55**	**14**	**(3)**	**11**
	(183)		**(183)**	**(183)**	**(75)**	**(258)**
(35)	**(283)**		**(283)**	**(318)**		**(318)**
	(872)		**(872)**	**(872)**	**(81)**	**(953)**
4 194	**20 098**	**(2 500)**	**17 598**	**22 233**	**517**	**22 750**

Consolidated statement of cash flows

for the year ended 30 September

	Notes	2018 Rm	2017 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**65 334**	65 536
Cash paid to employees and suppliers		**(59 288)**	(56 690)
Cash generated from operations before investment in leasing and rental fleet	A	**6 046**	8 846
Fleet leasing and equipment rental fleet		**(1 593)**	(1 661)
Additions		**(3 305)**	(3 550)
Proceeds on disposal		**1 713**	1 889
Vehicles rental fleet		**(631)**	(1 220)
Additions		**(3 921)**	(4 373)
Proceeds on disposal		**3 290**	3 153
Cash generated from operations		**3 822**	5 965
Finance costs		**(1 184)**	(1 338)
Realised fair value adjustments on financial instruments		**(140)**	(270)
Dividends received from investments, associates and joint ventures		**113**	13
Interest received		**148**	108
Taxation paid	B	**(1 058)**	(744)
Cash inflow from operations		**1 700**	3 734
Dividends paid (including non-controlling interest)		**(953)**	(803)
Cash retained from operating activities		**747**	2 931
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries, investments and intangibles	C	**(86)**	(393)
Proceeds on disposal of subsidiaries, investments and intangibles	D	**2 342**	379
Movements in investments in leasing receivables		**(53)**	(134)
Acquisition of other property, plant and equipment		**(618)**	(774)
Replacement capital expenditure		**(244)**	(315)
Expansion capital expenditure		**(374)**	(458)
Proceeds on disposal of property, plant and equipment		**306**	593
Net cash generated/(used) in investing activities		**1 891**	(329)
Net cash inflow before financing activities		**2 638**	2 602

Consolidated statement of cash flows continued

for the year ended 30 September

	2018 Rm	2017 Rm
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares repurchased for equity-settled share-based payments	**(43)**	(154)
Purchase of non-controlling interest	**(257)**	(201)
Non-controlling interest loan and equity movements		4
Proceeds from long-term borrowings	**2 956**	4 260
Repayment of long-term borrowings	**(3 322)**	(5 005)
Movement in short-term interest-bearing liabilities	**1 746**	(546)
Net cash from/(used in) financing activities	**1 080**	(1 642)
Net increase in cash and cash equivalents	**3 718**	960
Cash and cash equivalents at beginning of year	**3 925**	3 028
Cash and cash equivalents held for sale at beginning of year	**102**	
Effect of foreign exchange rate movement on cash balance	**167**	39
Effect of cash balances classified as held for sale	**(19)**	(102)
Cash and cash equivalents at end of year	**7 893**	3 925
Cash balances not available for use due to reserving restrictions	**178**	444

Notes to the consolidated statement of cash flows

for the year ended 30 September

		2018 Rm	2017 Rm
A.	**CASH GENERATED FROM OPERATIONS IS CALCULATED AS FOLLOWS:**		
	Profit before taxation – continuing operations	**2 988**	2 498
	Profit/(loss) before taxation – discontinued operation	**143**	(85)
	Adjustments for:		
	Depreciation	**2 505**	2 589
	Amortisation of intangible assets	**147**	158
	Loss on disposal of plant and equipment and intangibles	**64**	85
	Profit on disposal of properties and other assets		(41)
	Loss on disposal of subsidiaries and investments		26
	Dividends received	**(39)**	(7)
	Interest received	**(147)**	(108)
	Finance costs	**1 184**	1 338
	Fair value adjustments on financial instruments	**137**	186
	Net impairment of assets and investments	**249**	170
	IFRS 2 charge	**75**	42
	Non-cash movement in provisions and valuation allowances	**735**	433
	Other non-cash flow items	**70**	23
	Operating cash flows before movements in working capital	**8 111**	7 307
	Movement in working capital	**(2 065)**	1 539
	Movement in inventories	**(1 466)**	719
	Movement in receivables	**(1 423)**	(500)
	Movement in payables	**824**	1 320
	Cash generated from operations before investment in leasing and rental fleets	**6 046**	8 846
B.	**TAXATION PAID IS RECONCILED TO THE AMOUNTS DISCLOSED IN THE INCOME STATEMENT AS FOLLOWS:**		
	Amounts overpaid at beginning of year	**(29)**	(125)
	Per the income statement (excluding deferred taxation) – group	**(988)**	(655)
	Adjustments in respect of subsidiaries acquired and sold including translation adjustments	**(6)**	7
	Net amounts underpaid at end of year	**(35)**	29
	Cash amounts paid	**(1 058)**	(744)
C.	**ACQUISITION OF SUBSIDIARIES, INVESTMENTS AND INTANGIBLES:**		
	Investment and intangible assets acquired	**(86)**	(393)
	Cash amounts paid to acquire subsidiaries, investments and intangibles	**(86)**	(393)

Notes to the consolidated statement of cash flows continued

for the year ended 30 September

	2018 Rm	2017 Rm
D. PROCEEDS ON DISPOSAL OF SUBSIDIARIES, INVESTMENTS AND INTANGIBLES:		
Inventories disposed	**969**	551
Receivables disposed	**1 196**	26
Payables, taxation and deferred taxation balances disposed and settled	**(785)**	(60)
Borrowings net of cash	**162**	
Property, plant and equipment, non-current assets, goodwill and intangibles	**1 048**	151
Net assets disposed	**2 590**	668
Outstanding receivable from buyer	**(170)**	
Less: Non-cash translation reserves realised on disposal of foreign subsidiaries	**(1 502)**	
Investment in joint venture		(301)
Profit/(loss) on disposal	**1 586**	(9)
Net cash proceeds on disposal of subsidiaries	**2 504**	358
Bank balances and cash in subsidiaries disposed	**(162)**	
Proceeds on disposal of investments and intangibles		21
Cash proceeds on disposal of subsidiaries, investments and intangibles	**2 342**	379

The net cash proceeds on disposal of subsidiaries arise from the sale of Equipment Iberia for R2.5 billion (€163 million) during June 2018.

Notes to the consolidated annual financial statements

for the year ended 30 September

	Continuing operations							
	Consolidated*		Eliminations		Equipment and Handling			
					Equipment		Handling	
	2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm
1. OPERATING AND GEOGRAPHICAL SEGMENTS**								
Revenue								
Southern Africa	55 506	56 658			19 775	18 287	114	765
Europe@	117	160						
Russia	7 797	5 141			7 797	5 141		
	63 420	61 959			27 572	23 428	114	765
Inter-segment revenue***			(1 008)	(1 918)		1 138		19
	63 420	61 959	(1 008)	(1 918)	27 572	24 566	114	844
Segment result								
Operating profit/(loss)								
Southern Africa	3 652	3 584			1 790	1 785	(20)	6
Europe@	(52)	(84)						(11)
Russia	804	582			804	582		
Operating profit/(loss)	4 404	4 082			2 594	2 367	(20)	(5)
Fair value adjustments on financial instruments	(133)	(209)			(88)	(178)	4	(6)
Total segment result	4 271	3 873			2 506	2 189	(16)	(11)
By geographical region								
Southern Africa	3 546	3 395			1 699	1 610	(16)	
Europe@	(82)	(101)						(11)
Russia	807	579			807	579		
Total segment result	4 271	3 873			2 506	2 189	(16)	(11)
Income/(loss) from associates and joint ventures	235	93			247	95	(6)	2
Segment result including associate income	4 506	3 966			2 753	2 284	(22)	(9)
Finance costs	(1 182)	(1 329)						
Income from investments	147	109						
Non-operating and capital items	(248)	(155)						
	3 223	2 591						
Taxation	(950)	(565)						
Net profit	2 273	2 026						
Profit/(loss) from discontinued operation	1 647	(269)						
Profit for the year	3 920	1 757						
Non-cash expenses per segment								
Depreciation	2 433	2 468			648	555		15
Amortisation of intangibles	141	144			37	39		2
Impairment losses	249	170				4	1	

* *The consolidated total excludes discontinued operations for income statement items but includes it for the statement of financial position.*
** *The geographical segments are determined by the location of assets.*
*** *Inter-segment revenue is priced on an arm's-length basis.*
@ *Including Middle East and Iberia.*

Revenue generated in South Africa for the year was R47 805 million (2017: R49 853 million).

Non-current assets based in South Africa was R13 088 million (2017: R14 082 million).

Notes to the consolidated annual financial statements continued

for the year ended 30 September

Continuing operations										Discontinued operation	
Automotive and Logistics								Corporate		Equipment	
Motor retail		Car Rental Southern Africa		Leasing		Logistics				Europe	
2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm
19 955	21 577	6 528	6 446	3 326	3 570	5 807	6 011	1	2		
						117	160			3 337	4 076
19 955	21 577	6 528	6 446	3 326	3 570	5 924	6 171	1	2	3 337	4 076
64	130	5	5	158	116	370	250	412	260		
20 019	21 707	6 533	6 451	3 484	3 686	6 294	6 421	413	262	3 337	4 076
524	564	536	562	641	621	255	102	(74)	(56)		
						7	(1)	(59)	(72)	136	(77)
524	564	536	562	641	621	262	101	(133)	(128)	136	(77)
(2)	(2)			(11)	(2)	(6)	(2)	(30)	(19)		
522	562	536	562	630	619	256	99	(163)	(147)	136	(77)
522	562	536	562	630	619	249	99	(74)	(56)		
						7		(90)	(91)	136	(77)
522	562	536	562	630	619	256	99	(163)	(147)	136	(77)
(4)	(4)					(3)				(68)	(133)
518	558	536	562	630	619	254	99	(163)	(147)	69	(210)
										(2)	(9)
											1
										9	
										76	(218)
										(29)	(51)
										47	(269)
65	70	752	743	799	855	155	218	13	12	72	121
22	25	4	3	1	6	73	67	4	2	7	14
26	89					220	77	2			

Notes to the consolidated annual financial statements continued

for the year ended 30 September

	Continuing operations							
	Consolidated*		Eliminations		Equipment and Handling			
					Equipment		Handling	
	2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm
1. OPERATING AND GEOGRAPHICAL SEGMENTS** continued								
Assets								
Property, plant and equipment	12 657	12 659			4 600	4 306	1	1
Intangible assets	1 528	1 602			1 186	1 152		
Investment in associates and joint ventures	1 343	1 092			974	743	290	320
Long-term finance lease receivables	211	240			28	46		
Long-term financial assets	909	404			774	274		
Vehicle rental fleet	3 058	3 222						
Inventories	9 592	8 457			6 774	5 417	13	98
Trade and other receivables	8 883	8 676			5 737	5 909	57	73
Assets classified as held for sale	497	3 343				3 177		
Segment assets	38 678	39 696			20 072	21 024	361	492
By geographical region								
Southern Africa	34 159	32 661			15 756	14 178	377	480
Europe@	203	3 383				3 194	(16)	13
Russia	4 316	3 652			4 316	3 652		
Total segment assets	38 678	39 696			20 072	21 024	361	492
Goodwill	1 873	1 933			252	240		
Taxation	105	88						
Deferred taxation assets	710	683						
Cash and cash equivalents	7 893	3 925						
Consolidated total assets	49 259	46 324						
Liabilities								
Long-term non-interest bearing including provisions	2 290	2 691			20	17	3	
Trade and other payables including provisions	12 222	11 626			5 456	5 163	52	49
Liabilities directly associated with assets classified as held for sale	126	797				753		
Segment liabilities	14 638	15 114			5 476	5 933	55	49
By geographical region								
Southern Africa	11 417	10 923			4 119	4 072	55	46
Europe@	1 864	3 083				753		3
Russia	1 357	1 108			1 357	1 108		
Segment liabilities	14 638	15 114			5 476	5 933	55	49
Interest-bearing liabilities (excluding held for sale amounts)	11 169	9 678						
Deferred taxation liabilities	632	538						
Taxation	70	117						
Consolidated total liabilities	26 509	25 447						
Capital additions								
Southern Africa	7 587	8 255			1 580	1 737		41
Europe@	91	240			91	239		
Russia	166	208			166	208		
	7 844	8 703			1 837	2 184		41

* *The consolidated total excludes discontinued operations for income statement items but includes it for the statement of financial position.*
** *The geographical segments are determined by the location of assets.*
*** *Inter-segment revenue is priced on an arm's-length basis.*
@ *Including Middle East and Iberia.*

Revenue generated in South Africa for the year was R47 805 million (2017: R49 853 million).

Non-current assets based in South Africa were R13 088 million (2017: R14 082 million).

Notes to the consolidated annual financial statements continued

for the year ended 30 September

Continuing operations										Discontinued operation	
Automotive and Logistics								Corporate		Equipment	
Motor retail		Car Rental Southern Africa		Leasing		Logistics				Europe	
2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm
1 966	2 016	**459**	348	**4 079**	3 931	**908**	1 328	**645**	731		
183	178	**13**	16	**16**	12	**116**	238	**16**	6		
40	30		1					**39**			
				183	194						
63	68					**66**	51	**5**	10		
		3 058	3 222								
2 250	2 467	**486**	356	**63**	67	**36**	76	**(30)**	(24)		
736	720	**633**	562	**592**	611	**1 335**	1 406	**(207)**	(605)		
						403	166	**93**			
5 238	5 479	**4 648**	4 504	**4 933**	4 814	**2 864**	3 265	**562**	118		
5 238	5 479	**4 648**	4 504	**4 933**	4 814	**2 748**	3 109	**459**	97		
						115	156	**103**	20		
5 238	5 479	**4 648**	4 504	**4 933**	4 814	**2 864**	3 265	**562**	118		
406	407	**793**	792	**292**	292	**130**	201				
92	77	**26**	6	**355**	335	**29**	20	**1 767**	2 236		
3 022	3 164	**1 768**	1 748	**800**	792	**1 170**	1 119	**(46)**	(409)		
						126	44				
3 113	3 241	**1 794**	1 754	**1 155**	1 127	**1 325**	1 183	**1 721**	1 827		
3 113	3 241	**1 794**	1 754	**1 155**	1 127	**1 303**	1 139	**(121)**	(456)		
						22	44	**1 842**	2 283		
3 113	3 241	**1 794**	1 754	**1 155**	1 127	**1 325**	1 183	**1 721**	1 827		
113	171	**4 074**	4 416	**1 694**	1 543	**97**	326	**28**	21		
							1				
113	171	**4 074**	4 416	**1 694**	1 543	**97**	327	**28**	21		

Notes to the consolidated annual financial statements continued

for the year ended 30 September

		2018 Rm	2017 Rm
2.	**REVENUE**		
	Sale of goods	**45 884**	43 824
	Rendering of services	**10 964**	11 460
	Rentals received	**5 791**	5 685
	Commissions	**781**	990
	Total continuing operations	**63 420**	61 959
	Discontinued operation		
	Equipment Iberia	**3 337**	4 076
	Total discontinued operation	**3 337**	4 076
	Total group	**66 757**	66 035
3.	**OPERATING PROFIT**		
	Operating profit is arrived at as follows:		
	Revenue	**63 420**	61 959
	Less: Net expenses	**59 016**	57 877
	Cost of sales	**49 203**	47 832
	Other operating costs	**9 813**	10 045
	Total continuing operations	**4 404**	4 082
	Discontinued operation		
	Equipment Iberia	**136**	(77)
	Total discontinued operation	**136**	(77)
	Total group	**4 540**	4 005
	Expenses include the following:		
	Amortisation of intangible assets in terms of IFRS 3 business combinations	**29**	23
	Operating lease charges	**928**	1 064
	Operating lease charges – continuing operations	**881**	984
	Land and buildings	**489**	517
	Plant, vehicles and equipment	**392**	467
	Operating lease charges – discontinued operation	**47**	80
	Land and buildings	**17**	31
	Plant, vehicles and equipment	**30**	49
	Auditors' remuneration:	**60**	63
	Audit fees	**56**	58
	Audit fees – continuing operations	**52**	54
	Audit fees – discontinued operation	**4**	4
	Fees for other services	**4**	5
	Fees – continuing operations	**4**	3
	Fees – discontinued operation		2
	Staff costs (excluding directors' emoluments)	**9 725**	9 948
	Continuing operations	**9 056**	8 902
	Discontinued operation	**669**	1 046
	Loss on disposal of plant and equipment (including rental assets) and intangibles	**74**	85
	Amounts recognised in respect of retirement benefit plans (note 24):		
	Defined contribution funds	**861**	856
	Continuing operations	**859**	851
	Discontinued operation	**2**	5
	Defined benefit funds	**14**	12
	Continuing operations	**14**	12

Notes to the consolidated annual financial statements continued

for the year ended 30 September

		2018 Rm	2017 Rm
4.	**FAIR VALUE ADJUSTMENTS ON FINANCIAL INSTRUMENTS**		
	Included in operating profit as valuation of insurance companies	**(6)**	23
	Disclosed in income statement as fair value adjustments on financial instruments	**(133)**	(209)
	Total group	**(139)**	(186)
	Per category:		
	Financial assets/liabilities at fair value through profit or loss		
	– Designated as such at initial recognition	**(9)**	23
	– Held for trading items	**(59)**	(211)
	Loans and receivables	**(74)**	(57)
	Financial assets/(liabilities) measured at amortised cost	**3**	59
	Total group	**(139)**	(186)
	Fair value adjustments on financial instruments include:		
	Ineffectiveness recognised in profit or loss arising from cash flow hedges	**9**	1
5.	**FINANCE COSTS**		
	Interest on financial liabilities not at fair value through profit or loss:		
	Corporate bonds and other long-term borrowings	**(579)**	(703)
	Bank and other short-term borrowings	**(402)**	(369)
	Floor plan	**(73)**	(81)
	Defined benefit plan	**(57)**	(65)
	Capitalised finance leases	**(71)**	(111)
	Total continuing operations	**(1 182)**	(1 329)
	Discontinued operation	**(2)**	(9)
	Total group	**(1 184)**	(1 338)
6.	**INCOME FROM INVESTMENTS**		
	Dividends – listed and unlisted investments	**39**	6
	Interest on financial assets not at fair value through profit or loss	**147**	109
	Total continuing operations	**186**	115
	Discontinued operation		1
	Total group	**186**	116
	Included in operating profit as dividends received from insurance companies	**39**	6
	Disclosed in income statement as income from investments	**147**	109
	Total continuing operations	**186**	115
	Discontinued operation		1
	Total group	**186**	116
7.	**NON-OPERATING AND CAPITAL ITEMS**		
	Loss on acquisitions and disposal of investments and subsidiaries		(25)
	Impairment of investments	**(24)**	(73)
	Impairment of goodwill**	**(70)**	
	Profit on disposal of property, plant, equipment, intangibles and other assets	**1**	41
	Impairment of property, plant and equipment, intangibles and other assets**	**(155)**	(98)
	Gross non-operating and capital items from continuing operations	**(248)**	(155)
	Taxation benefit on non-operating and capital items	**20**	5
	Non-operating and capital items included in associate income from continuing operations		7
	Non-operating and capital items from continuing operations	**(228)**	(143)
	Non-operating and capital items from discontinued operation	**9**	
	Taxation charge on non-operating and capital items from discontinued operation	**(2)**	
	Non-operating and capital items included in associate income from discontinued operation	**(47)**	(78)
	Net non-operating and capital items loss	**(268)**	(221)

*** Refer notes 10, 11 and 12 for an explanation of the assumptions and circumstances underlying the impairments.*

Notes to the consolidated annual financial statements continued

for the year ended 30 September

	2018 Rm	2017 Rm
8. TAXATION		
South African normal taxation		
Current year	**(895)**	(350)
Prior year	**(29)**	29
	(924)	(321)
Foreign and withholding taxation		
Current year	**(38)**	(379)
Prior year		48
	(38)	(331)
Deferred taxation		
Current year	**29**	74
Prior year	**(19)**	(12)
Attributable to a change in the rate of income tax	**2**	25
	12	87
Taxation attributable to the company and its subsidiaries	**(950)**	(565)
Discontinued operation		
Equipment Iberia – Normal taxation	**(26)**	(4)
Equipment Iberia – Deferred taxation	**(3)**	(47)
Total group	**(979)**	(616)

	%	%
South Africa normal taxation rate	**28.0**	28.0
Reduction in rate of taxation	**(9.7)**	(15.1)
Exempt income and special allowances@	**(8.9)**	(6.0)
Taxation losses of prior periods	**(0.8)**	(0.2)
IAS12.41 adjustment**		(5.3)
Rate change adjustment		(1.0)
Prior year taxation		(2.6)
Increase in rate of taxation	**13.5**	9.7
Disallowable charges***	**2.7**	3.6
Non-operating and capital items taxation	**1.6**	1.5
Foreign rate differential	**2.7**	3.9
Prior year taxation	**1.6**	
IAS12.41 adjustment**	**3.6**	
Current year losses not utilised	**1.3**	0.7
Taxation as a percentage of profit before taxation	**31.8**	22.6
Taxation (excluding prior year taxation and non-operating and capital items taxation) as a percentage of profit before taxation (excluding non-operating and capital items)	**28.5**	23.9

@ *Exempt income and special allowances largely comprise learnerships, gains on rental assets, dividends, exempt investment income and other capital income/gains.*

** *The group has companies in Russia, Mozambique and Angola where deferred taxes are recognised for temporary differences that arise when an entity's taxable profit or loss (and thus the tax basis of its non-monetary assets and liabilities) are measured in a currency different than its functional currency. Changes in the exchange rate result in a deferred tax asset or liability which is charged to profit or loss.*

*** *Disallowable charges relate largely to capital expenses and other such expenses not incurred in the production of income including professional fees, donations, entertainment, depreciation, amortisation, non-deductible allowances on leasehold improvements and goodwill and other asset impairments.*

Notes to the consolidated annual financial statements continued

for the year ended 30 September

	2018 Rm	2017 Rm
8. TAXATION continued		
Group tax losses at end of year:		
South African – taxation losses	**(453)**	(487)
Foreign – taxation losses	**(1 188)**	(2 413)
	(1 641)	(2 900)
Utilised to reduce deferred taxation liabilities or create deferred taxation assets	**1 328**	1 145
Losses on which no deferred taxation assets raised due to uncertainty regarding utilisation	**(313)**	(1 755)
The losses for which no deferred taxation asset has been raised are as follows:		
South African tax losses		
Automotive	**(25)**	
Barloworld Logistics Africa	**(62)**	
Foreign tax losses		
Barloworld Handling US Group		(634)
Barloworld Spanish Group^		(1 092)
Equipment Russia	**(149)**	
Agriculture Mozambique	**(18)**	
Avis Fleet	**(59)**	(29)
	(313)	(1 755)

^ The Barloworld Spanish Group forms part of the discontinued operation.

The taxation losses in Barloworld Handling US Group expire in the 2026 financial year.

In relation to all the other losses listed above, there is no expiry date, or limit of carry forward, provided that the businesses continue trading.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

		2018 Rm	2017 Rm
9.	**EARNINGS AND HEADLINE EARNINGS PER SHARE**		
9.1	**Fully converted weighted average number of shares**		
	Weighted average number of ordinary shares (net of share buy-back)	**210 874 540**	210 780 101
	Increase in number of shares as a result of unexercised share options and unvested forfeitable shares	**1 272 832**	1 314 544
	Fully converted weighted average number of shares	**212 147 372**	212 094 645
	Account is taken of the number of ordinary shares in issue for the period in which they are entitled to participate in the net profit of the group.		

	Rm	Rm
Net profit for the year attributable to shareholders of Barloworld Limited	**3 846**	1 643
Net profit for the year from continuing operations	**2 199**	1 912
Net (loss)/profit for the year from discontinued operation	**1 647**	(269)

		2018	2017	2018 Cents	2017 Cents
9.2	**Earnings per share**				
	Basic				
	The weighted average number of ordinary shares	**210 874 540**	210 780 101		
	Earnings per share (basic)			**1 823.8**	779.6
	Earnings per share from continuing operations (basic)			**1 042.8**	907.2
	Earnings/(loss) per share from discontinued operations (basic)			**781.0**	(127.6)
	Diluted				
	Fully converted weighted average number of shares (note 9.1)	**212 147 372**	212 094 645		
	Earnings per share (diluted)			**1 812.9**	774.7
	Earnings per share from continuing operations (diluted)			**1 036.5**	901.5
	Earnings/(loss) per share from discontinued operations (diluted)			**776.4**	(126.8)
	Percentage dilution	**0.6**	0.6		

Notes to the consolidated annual financial statements continued

for the year ended 30 September

		2018 Rm	2017 Rm
9.	**EARNINGS AND HEADLINE EARNINGS PER SHARE** continued		
9.3	**Headline earnings per share**		
	Basic		
	Profit for the year attributable to Barloworld Limited shareholders	**3 846**	1 643
	Adjusted for the following:		
	Gross remeasurements excluded from headline earnings	**(1 361)**	153
	(Profit)/loss on disposal of subsidiaries and investments (IFRS 10)	**(98)**	25
	Profit on disposal of plant, property, equipment and intangibles excluding rental assets (IAS 16 and IAS 38)	**(10)**	(43)
	Impairment of goodwill (IFRS 3)	**70**	73
	Impairment of plant and equipment (IAS 16) and intangibles (IAS 38) and other assets	**155**	98
	Impairment of investments in associates and joint ventures (IAS 36)	**24**	
	Realisation of translation reserve on disposal of foreign subsidiaries (IAS 21)	**(1 502)**	
	Taxation effects of remeasurements	**(18)**	(5)
	Taxation on profit of disposal of subsidiaries (IFRS 10)		16
	Taxation benefit on impairment and disposal of property, plant and equipment (IAS 16) and intangibles (IAS 38)	**(20)**	(18)
	Taxation benefit on impairment of goodwill (IFRS 3)	**2**	(3)
	Associate and non-controlling interest in remeasurements	**47**	71
	Net remeasurements excluded from headline earnings	**(1 332)**	219
	Headline earnings	**2 514**	1 862

Notes to the consolidated annual financial statements continued

for the year ended 30 September

	2018 Rm	2017 Rm
9. EARNINGS AND HEADLINE EARNINGS PER SHARE continued		
9.3 Headline earnings per share continued		
Profit from continuing operations	**2 273**	2 026
Non-controlling shareholders' interest in net profit from continuing operations	**(74)**	(114)
Profit from continuing operations attributable to Barloworld Limited shareholders	**2 199**	1 912
Adjusted for the following items in:		
Gross remeasurements excluded from headline earnings from continuing operations	**248**	153
Loss on disposal of subsidiaries and investments (IFRS 10)		25
Profit on disposal of plant, property, equipment and intangible excluding rental assets (IAS 16 and IAS 38)	**(1)**	(43)
Impairment of goodwill (IFRS 3)	**70**	73
Impairment of plant and equipment (IAS 16) and intangibles (IAS 38) and other assets	**155**	98
Impairment of investments in associates and joint ventures (IAS 36)	**24**	
Taxation effects of remeasurements	**(20)**	(5)
Taxation on loss of disposal of subsidiaries (IFRS 10)		16
Taxation benefit on impairment and disposal of property, plant and equipment (IAS 16) and intangibles (IAS 38)	**(22)**	(18)
Taxation charge/(benefit) on impairment of goodwill (IFRS 3)	**2**	(3)
Associate and non-controlling interest in remeasurements		(7)
Net remeasurements excluded from headline earnings from continuing operations	**228**	141
Headline earnings from continuing operations	**2 427**	2 053
Profit/(loss) from discontinued operation attributable to Barloworld Limited shareholders	**1 647**	(269)
Adjusted for the following items in discontinued operation:		
Gross remeasurements excluded from headline earnings from discontinued operation	**(1 609)**	
Profit on disposal of subsidiaries (IFRS 10)	**(98)**	
Realisation of translation reserve on disposal of foreign subsidiaries (IAS 21)	**(1 502)**	
Profit on disposal of property and other assets (IAS 16)	**(9)**	
Taxation effects of remeasurements	**2**	
Taxation charge of discontinued operations (IFRS 5)	**2**	
Associate and non-controlling interest in remeasurements	**47**	78
Net remeasurements excluded from headline earnings from discontinued operations	**(1 560)**	78
Headline earnings/(loss) from discontinued operation	**87**	(191)

Notes to the consolidated annual financial statements continued

for the year ended 30 September

		2018	2017	2018 Cents	2017 Cents
9.	**EARNINGS AND HEADLINE EARNINGS PER SHARE** continued				
9.3	**Headline earnings per share** continued				
	Basic				
	The weighted average number of ordinary shares	**210 874 540**	210 780 101		
	Headline earnings per share (basic)			**1 192.1**	883.4
	Headline earnings per share from continuing operations (basic)			**1 150.9**	974.5
	Headline earnings/(loss) per share from discontinued operations (basic)			**41.2**	(91.1)
	Diluted				
	Fully converted weighted average number of shares (note 9.1)	**212 147 372**	212 094 645		
	Headline earnings per share (diluted)			**1 185.0**	877.9
	Headline earnings per share from continuing operations (diluted)			**1 144.0**	968.0
	Headline earnings/(loss) per share from discontinued operation (diluted)			**41.0**	(90.1)
	Percentage dilution	**0.6**	0.5		

Notes to the consolidated annual financial statements continued

for the year ended 30 September

	2018			
	Freehold and leasehold land and buildings Rm	Plant, equipment and furniture Rm	Vehicles Rm	Rental assets equip-ment**
10. PROPERTY, PLANT AND EQUIPMENT				
Cost				
At 1 October	6 704	3 053	2 128	3 491
Subsidiaries acquired				
Other additions	272	176	170	1 622
Subsidiaries disposed of	(1 103)	(676)	(44)	(315)
Other disposals and reclassification	(29)	(90)	(476)	(1 330)
Translation differences	62	9	18	11
At 30 September	5 906	2 472	1 796	3 479
Accumulated amortisation and impairment				
At 1 October	1 423	2 347	949	779
Depreciation	136	209	156	500
Subsidiaries disposed of	(435)	(598)	(43)	(87)
Other disposals and reclassification	(21)	(80)	(210)	(373)
Impairment^^	1	56	27	19
Translation differences	12	12	14	9
At 30 September	1 116	1 946	893	848
Carrying amount				
At 30 September	4 790	526	903	2 631
Less: Vehicle rental fleet assets reflected under current assets				
Other assets classified as held for sale	110	34	109	
Balance reflected as property, plant and equipment	4 680	492	794	2 631
Net book value of capitalised leases included in above balance	121	36	323	

	2018 Rm	2017 Rm
Rental asset disclosures**		
Future minimum lease receivables under non-cancellable operating leases: (excluding Avis Fleet)		
Within one year		49
Two to five years		80
More than five years		13
		142
Non-cancellable operating leases in 2017 related to the Equipment Iberia operations sold in the year.		
Future minimum lease receivables under non-cancellable operating leases for Avis Fleet Services:		
Within one year	872	845
Two to five years	1 109	925
More than five years	8	11
	1 989	1 781

*** The impairments primarily relate to the underperformance of KLL and SmartMatta assets in the Logistics business classified as held for sale at 30 September 2018 and the impairment of property in the Logistics Middle East business also classified as held for sale at 30 September 2018.*

Vehicle rental assets include long-term fleet in southern Africa leased to customers for periods in excess of 12 months with an average lease term of 45 months (2017: 43 months) and an average residual value of 46% (2017: 45%).

Refer note 1 for a segmental analysis of impairment losses and reversals.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

		2017					
Rental assets vehicles**	**Total**	Freehold and leasehold land and buildings	Plant, equipment and furniture	Vehicles	Rental assets equip-ment**	Rental assets vehicles**	Total assets
Rm	**Rm**	Rm	Rm	Rm		Rm	Rm
9 191	**24 566**	6 527	2 998	2 598	3 167	8 617	23 907
		39					39
5 604	**7 844**	211	239	324	2 028	5 902	8 704
25	**(2 113)**	(16)	(55)	(1)	(190)		(262)
(5 641)	**(7 566)**	(58)	(141)	(788)	(1 515)	(5 358)	(7 860)
20	**120**	1	12	(5)	1	30	38
9 199	**22 852**	6 704	3 053	2 128	3 491	9 191	24 566
2 058	**7 555**	1 254	2 213	1 026	842	1 825	7 160
1 504	**2 505**	145	267	220	411	1 547	2 589
25	**(1 138)**	(3)	(47)		(65)		(115)
(1 517)	**(2 199)**	(19)	(104)	(293)	(414)	(1 327)	(2 157)
	103	36	4		9		49
11	**58**	10	14	(4)	(5)	13	28
2 081	**6 884**	1 423	2 347	949	778	2 058	7 555
7 118	**15 968**	5 282	706	1 178	2 712	7 132	17 012
3 058	**3 058**					3 222	3 222
	253	671	131	16		313	1 131
4 060	**12 657**	4 611	575	1 162	2 712	3 598	12 659
	480	142	7	570			719

Notes to the consolidated annual financial statements continued

for the year ended 30 September

		2018 Rm	2017 Rm
11.	**GOODWILL**		
	Cost		
	At 1 October	**2 129**	2 351
	Classified as held for sale		(218)
	Translation differences	**11**	(4)
	At 30 September	**2 140**	2 129
	Accumulated impairment losses		
	At 1 October	**197**	336
	Impairment	**70**	73
	Classified as held for sale		(218)
	Translation differences		6
	At 30 September	**267**	197
	Carrying amount		
	At 30 September	**1 873**	1 932

Goodwill is allocated to the following cash-generating units for impairment testing purposes:

Significant cash-generating units (CGUs)	Geographical location	Reportable segment to which the CGU belong	Carrying amount of goodwill 2018 Rm	Carrying amount of goodwill 2017 Rm
Avis Rent a Car Southern Africa	South Africa	Car Rental Southern Africa	**791**	791
Avis Fleet Services Southern Africa	South Africa	Leasing	**281**	281
Equipment Russia	Russia	Equipment	**204**	195
Other^	Various	Various	**597**	665
			1 873	1 932

^ The aggregate of the remaining immaterial goodwill balances consists of 17 cash-generating units in 2018 (2017: 17).

Goodwill is allocated to the appropriate CGUs according to the type of business and where it operates. External and internal factors surrounding the business operations play a role in determining an indication of impairment. In addition, the carrying amount of goodwill is subject to an annual impairment test.

Impairment of goodwill arises when the recoverable amount of the CGU, including goodwill, is less than the carrying value. The recoverable amount is determined as the greater of the fair value less costs to sell or the value in use. In most instances it is difficult to use the fair value less costs to sell, as a reliable estimate is not easily obtainable in determining the recoverable amount. Therefore the value-in-use method is used to assess the goodwill for impairment.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

11. GOODWILL continued

The key assumptions used in the value-in-use calculation for the CGUs shown above are as follows:

A discounted cash flow valuation model is applied using a five-year strategic plan as approved by the board. The financial plans are the quantification of strategies derived from the use of a common strategic planning process followed across the group. The process ensures that all significant risks and sensitivities are appropriately considered and factored into strategic plans.

The discount rate applied to the forecast period, has been outlined for each cash-generating unit in the table below. Discount rates applied to cash flow projections are based on a country or region-specific discount rate, dependent upon the location of cash-generating segment operations.

The pre-tax nominal discount rates applied are as follows:

	Geographical location	Currency	2018 %	2017 %
Significant cash-generating units (CGUs)				
Avis Rent a Car Southern Africa	South Africa	ZAR	**14.3**	14.1
Avis Fleet Services Southern Africa	South Africa	ZAR	**22.2**	22.4
Equipment Russia	Russia	USD	**11.8**	11.8
Other^	Various	Various	**14.1 to 23.1**	14.4 to 22.6

Long-term growth rates applied to extrapolate cash flows are as follows:

	Geographical location	Currency	2018 %	2017 %
Significant cash-generating units (CGUs)				
Avis Rent a Car Southern Africa	South Africa	ZAR	**5.0**	5.0
Avis Fleet Services Southern Africa	South Africa	ZAR	**5.0**	5.0
Equipment Russia	Russia	USD	**2.1**	2.0
Other^	Various	Various	**2.0 to 5.0**	2.0 to 5.0

^ The aggregate of the remaining immaterial goodwill balances consists of 17 cash-generating units in 2018 (2017: 17).

Notes to the consolidated annual financial statements continued

for the year ended 30 September

11. GOODWILL continued

Other key assumptions applied

Inflation rate and GDP growth rate forecasts

Forecast inflation and real GDP growth during the forecast period for the countries from which revenue is derived, expenses are incurred, and inventory is purchased are consistent with external sources and shown below:

Real GDP growth (%)	2018	2019	2020	2021	2022
– South Africa	1.8	2.1	2.3	2.5	2.5
– United States of America	2.2	2.0	2.0	2.0	2.0
– United Kingdom	1.6	1.8	1.8	1.8	1.8
– Russia	1.6	1.7	1.7	1.7	1.7
– Angola	2.5	2.9	2.1	2.0	2.0
– Botswana	4.6	4.3	4.3	4.0	4.0
– Malawi	4.9	5.3	5.4	5.4	5.4
– Mozambique	5.9	6.3	6.4	6.4	6.4
– Zambia	4.7	4.9	4.8	4.8	4.8

Inflation (%, annual average)	2018	2019	2020	2021	2022
– South Africa	5.2	5.3	5.1	5.0	5.0
– United States of America	2.2	2.1	2.1	2.1	2.1
– United Kingdom	2.3	2.2	2.2	2.2	2.2
– Russia	4.1	4.2	4.2	4.2	4.2
– Angola	18.0	12.3	10.1	7.7	7.7
– Botswana	4.2	4.0	3.9	3.9	3.9
– Malawi	6.4	6.2	7.3	7.3	7.3
– Mozambique	7.0	6.3	6.4	6.4	6.4
– Zambia	7.5	7.1	7.0	7.0	7.0

Exchange rate forecasts

Exchange rates applied over the forecast period are consistent with external sources and shown below:

Exchange rates	2018	2019	2020	2021	2022
USD/ZAR – (Average)	12.96	13.17	13.65	14.05	14.45
GBP/ZAR – (Average)	18.54	19.10	19.64	20.36	20.92
EUR/ZAR – (Average)	16.72	16.73	17.20	17.57	17.98

The impairments relate to the following cash-generating units

	Geographical location	Reportable segment to which the CGU belong	2018 Rm	2017 Rm
SmartMatta	South Africa	Logistics	**70**	50
KLL	South Africa	Logistics		23
Total			**70**	73

During the year management made decisions to dispose of SmartMatta and KLL, within the Logistics division. Based on assessments of the businesses' net realisable value through sale it was determined that the carrying value of goodwill related to this cash-generating unit was not recoverable and thus the full goodwill relating to SmartMatta was impaired in the year.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

	2018					2017				
	Capital-ised software	**Patents, trade-marks, develop-ment costs**	**Supplier relation-ships**	**Customer relation-ships, order backlog**	**Total intang-ible assets**	Capital-ised software	Patents, trade-marks, develop-ment costs	Supplier relation-ships	Customer relation-ships, order backlog	Total intang-ible assets
	Rm	**Rm**	**Rm**	**Rm**	**Rm**	Rm	Rm	Rm	Rm	Rm
12. INTANGIBLE ASSETS										
Cost										
At 1 October	**1 239**	**202**	**1 293**	**187**	**2 921**	1 155	166	1 304	187	2 812
Other additions	**94**	**6**		**3**	**103**	122	34			156
Subsidiaries disposed of	**(200)**		**(5)**		**(205)**	(16)				(16)
Other disposals	**(14)**	**(4)**			**(18)**	(36)	(9)			(45)
Other reclassification	**(21)**	**(11)**	**8**	**17**	**(7)**	8	10	5		23
Translation differences	**(2)**		**40**		**38**	6	1	(16)		(9)
At 30 September	**1 096**	**193**	**1 336**	**207**	**2 832**	1 239	202	1 293	187	2 921
Accumulated amortisation and impairment										
At 1 October	**843**	**143**	**188**	**104**	**1 278**	759	112	164	64	1 099
Charge for the year	**101**	**27**	**1**	**18**	**147**	112	22	1	22	158
Subsidiaries disposed of	**(159)**		**(1)**		**(160)**	(12)				(12)
Other disposals	**(13)**	**(3)**			**(16)**	(22)				(22)
Impairment^^	**16**	**21**		**13**	**50**		9	26	18	53
Translation differences	**(3)**	**1**	**5**		**3**	5	1	(3)		3
At 30 September	**785**	**189**	**193**	**136**	**1 302**	843	143	188	104	1 278
Carrying amount										
At 30 September	**311**	**4**	**1 143**	**72**	**1 530**	396	58	1 105	83	1 645
Less amounts classified as held for sale	**(1)**	**(1)**			**(2)**	(37)		(5)		(42)
Total group	**310**	**3**	**1 143**	**72**	**1 528**	359	58	1 100	83	1 602

^^ *The 2018 capitalised software impairment relates to intangible assets of the KLL and Integrated Freight Solutions businesses, both of which are operations within the Logistics division. These intangibles were internally generated software solutions designed to provide a transport management platform for various businesses. Due to either end of contract or the decision to exit loss making operations, the carrying value of these intangible assets was impaired. The remaining impairments arose as a result of measurement basis for non-current assets classified as held for sale in the Logistics division, resulting in an impairment loss which reduced the carrying amount of the non-current assets in the disposal group, (in most cases relevant intangible assets were fully impaired).*
The loss of a significant customer in the Logistics business during 2017 resulted in the impairment of the customer relationships in the prior year. The impairment supplier relationships in 2017 was mainly related to the closure of a number of dealerships following the announcement by GMSA that it will be exiting South Africa by the end of 2017. This impacted our Automotive reporting segment.

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for the year ended 30 September

12. INTANGIBLE ASSETS continued

Significant indefinite life intangible assets

The group did not acquire intangible assets with indefinite useful lives during the current year (2017: Nil).

A detailed breakdown of the carrying value of intangible assets with an indefinite life has been shown below.

Significant cash-generating units (CGUs)	Category/class of Intangible assets	2018 Rm	2017 Rm
Equipment Russia	Supplier relationship	**182**	169
Equipment South Africa	Supplier relationship	**277**	277
Equipment Southern Africa (excluding South Africa)	Supplier relationship	**597**	570
Other	Supplier relationship	**85**	84
Total indefinite life intangible		**1 141**	1 100
Intangible assets with finite useful lives	Supplier relationship	**2**	
Total carrying value		**1 143**	1 100

The above indefinite life intangible assets are tested annually for impairment, using the valuation techniques outlined in note 11.

The pre-tax nominal discount rate applied as well as the long-term growth rates applied to extrapolate cash flows have been shown below.

The pre-tax nominal discount rates applied are as follows:

Significant cash-generating units (CGUs)	Geographical location	Currency	2018 %	2017 %
Equipment Russia	Russia	USD	**11.8**	11.8
Equipment South Africa	South Africa	ZAR	**18.0**	16.8
Equipment Southern Africa (excluding South Africa)	Rest of Africa	USD	**14.8**	14.9
Other	South Africa	ZAR	**14.7**	14.8 to 15.1

Long-term growth rates applied to extrapolate cash flows are as follows:

Significant cash-generating units (CGUs)	Geographical location	Currency	2018 %	2017 %
Equipment Russia	Russia	USD	**2.1**	2.0
Equipment South Africa	South Africa	ZAR	**5.0**	5.0
Equipment Southern Africa (excluding South Africa)	Rest of Africa	USD	**2.0**	2.0
Other	South Africa	ZAR	**5.0**	5.0

Refer to note 11 for information regarding the other key assumptions used as well as detail on the valuation method applied in relation to the valuation of the cash-generating units.

The Equipment Southern Africa, South Africa and Russia indefinite life intangible assets classified as supplier relationship is in relation to dealership agreements. The indefinite useful life is supported by Barloworld's long-standing relationship with Caterpillar Incorporated, (CAT) as the exclusive CAT mining equipment dealer in South Africa, southern Africa and parts of Russia.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

	Income/(loss) from associates and joint ventures		Carrying value of the investment	
	2018 Rm	2017 Rm	**2018 Rm**	2017 Rm
13. INVESTMENT IN ASSOCIATES AND JOINT VENTURES				
Associates	**5**	(5)	**55**	146
Joint ventures	**230**	98	**1 288**	1 044
Total per income statement/statement of financial position	**235**	93	**1 343**	1 190
Discontinued operation/amounts classified as held for sale	**(67)**	(133)		(97)
Total group	**168**	(40)	**1 343**	1 093

Details of material joint ventures

Details of material joint ventures at the end of the reporting period are as follows:

			Proportion of ownership interest and voting rights held by the group	
Name of joint venture	**Principal activity**	**Place of incorporation**	**2018 %**	2017 %
Bartrac Equipment Limited	Caterpillar dealer	Mauritius	**50**	50

The joint venture operates in Mauritius and the DRC.

Summarised financial information in respect of the group's material joint venture is set out on the following page, the summarised financial information represents amounts shown in the joint venture's financial statements prepared in accordance with IFRS.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

	2018 Rm	2017 Rm
13. INVESTMENT IN ASSOCIATES AND JOINT VENTURES continued		
Bartrac Equipment Limited		
Statement of financial position		
Cash and cash equivalents	**35**	148
Total current assets	**1 786**	1 180
Non-current assets	**789**	649
Current financial liabilities (excluding trade and other payables and provisions)	**91**	33
Total current liabilities	**841**	458
Non-current financial liabilities (excluding trade and other payables and provisions)	**119**	139
Total non-current liabilities		5
Income statement		
Revenue	**3 266**	2 320
Depreciation and amortisation	**(104)**	(71)
Interest income	**5**	17
Income tax expense	**110**	33
Net profit after tax	**501**	195
Total comprehensive income	**501**	195
Reconciliation of the carrying amount of the interest in Bartrac recognised in the consolidated financial statements		
Original cost	**38**	38
Equity accounted earnings to date	**1 322**	1 072
Dividends	**(719)**	(646)
Foreign currency translation	**275**	219
Carrying amount of the group's interest in Bartrac	**916**	683
Aggregate information of joint ventures that are not individually material:		
Group's share of (loss)/profit from continuing operations	**(21)**	1
Group's share of other comprehensive (loss)/income	**(21)**	1

Notes to the consolidated annual financial statements continued

for the year ended 30 September

	Income/(loss) from joint venture		Carrying value of the investment	
	2018 Rm	2017 Rm	**2018 Rm**	2017 Rm
13. INVESTMENT IN ASSOCIATES AND JOINT VENTURES continued				
Reconciliation of income statement/statement of financial position				
Bartrac Equipment Limited	**251**	97	**916**	683
Aggregate income (loss)/carrying value of non-material joint ventures^*	**(21)**	1	**372**	361
Total carrying value of joint ventures	**230**	98	**1 288**	1 044

^ Included in the carrying value of joint ventures that are not individually material, is Electro Motive Diesel Africa (Pty) Limited, in which Barloworld has a 51% shareholding, but Barloworld does not control the board.
** Included in the carrying value of joint ventures is BHBW SA Pty Ltd in which Barloworld has a 50% shareholding.*

All of the associates and joint ventures are incorporated and operational in South Africa, except:

Name of the associate/joint ventures	Principal activity	Place of incorporation	Year end
Barzem Enterprises (Pty) Limited	Caterpillar dealer	Zimbabwe	31 August*
Bartrac Equipment Limited	Caterpillar dealer	Mauritius	30 September
Africa United Equipment	Liaison office	Hong Kong	31 December*
Energyst B.V.**	Caterpillar engines rental	Netherlands	31 December*

** The different year ends of the associates and joint ventures listed above do not have a material impact on the results.*
*** This investment was included in Equipment Iberia as part of discontinued operations.*

Notes to the consolidated annual financial statements continued

for the year ended 30 September

		2018 Rm	2017 Rm
14.	**FINANCE LEASE RECEIVABLES**		
	Amounts receivable under finance leases:		
	Gross investment	**540**	596
	Less: Allowance for doubtful finance lease receivables**		(21)
	Net investment	**540**	575
	Less: Unearned finance income	**(81)**	(76)
	Present value of minimum lease payments receivable	**459**	499
	Receivable as follows:		
	Present value		
	Within one year (note 18)	**248**	259
	In the second to fifth year inclusive	**211**	240
		459	499
	Minimum lease payments		
	Within one year	**277**	274
	In the second to fifth year inclusive	**263**	301
		540	575
	Less: Unearned finance income	**(81)**	(76)
		459	499
	Unguaranteed residual values of assets leased under finance leases	**50**	36

*** In Equipment Zambia the finance lease receivables was reclassified to a trade receivable in the current year due to a customer breaching the conditions of a contract.*

Long-term vehicle fleet is leased to customers for periods ranging from 15 to 60 months. The average lease term is 41 months and the majority of these leases are at interest rates linked to the South African prime rate. The weighted average interest rate on lease receivables for the year ended 30 September 2018 was 11% per annum (2017: 11%).

		2018 Rm	2017 Rm
15.	**LONG-TERM FINANCIAL ASSETS**		
	Unlisted and listed investments at fair value	**60**	64
	Unlisted debt instruments*	**755**	226
	Other receivables	**77**	75
	Other non-current loans and deposits	**17**	48
	Total group	**909**	413
	Amounts classified as held for sale		(9)
	Total per statement of financial position	**909**	404

** The group remains invested in Dollar linked Angolan government bonds. These Kwanza denominated bonds are pegged to the United States Dollar. On maturity the bonds will be settled in Kwanza.*

Notes to the consolidated annual financial statements continued

for the year ended 30 September

	2018 Rm	2017 Rm
16. DEFERRED TAXATION		
Movement of deferred taxation		
Balance at beginning of year		
Deferred taxation assets	683	1 127
Deferred taxation liabilities	(538)	(703)
Net asset at beginning of year	145	424
Reclassified as held for sale at beginning of year	164	
Recognised in income statement this year	12	87
Current movements	10	62
Rate change adjustment	2	25
Recognised in income statement this year – discontinued operation	(3)	(47)
Arising on disposal of subsidiaries	(157)	
Translation differences	(12)	16
Accounted for directly in other comprehensive income	(64)	(169)
Reclassified as held for sale	(18)	(164)
Other movements	10	(3)
Net asset at end of year	78	145
Deferred taxation assets	710	683
Deferred taxation liabilities	(632)	(538)
Analysis of deferred taxation by type of temporary difference		
Deferred taxation assets		
Capital allowances	(133)	(205)
Provisions and payables	339	252
Prepayments and other receivables	106	162
Effect of tax losses	101	105
Retirement benefit obligations	298	380
Other temporary differences	(1)	(11)
	710	683
Deferred taxation liabilities		
Capital allowances	(949)	(881)
Provisions, long-term loans and payables	210	260
Prepayments and other receivables	31	42
Effect of tax losses	68	57
Other temporary differences	8	(16)
	(632)	(538)

Notes to the consolidated annual financial statements continued

for the year ended 30 September

		2018 Rm	2017 Rm
17.	**INVENTORIES**		
	Work in progress	**980**	537
	Finished goods**	**6 296**	6 182
	Merchandise	**2 240**	2 415
	Other inventories	**113**	146
	Total group	**9 629**	9 280
	Amounts classified as held for sale	**(37)**	(823)
	Total per statement of financial position	**9 592**	8 457
	The value of inventories has been determined on the following bases:		
	First-in first-out and specific identification	**8 398**	7 169
	Weighted average	**1 194**	1 288
		9 592	8 457
	The secured liabilities are included under trade and other payables (note 25)		
	Inventories encumbered under the floorplan facilities	**1 385**	1 532
	Amount of write-down of inventory to net realisable value and losses of inventory	**261**	365
	Amount of reversals of inventory previously written down*	**36**	30
	Change in estimate of rebuilt component net realisable value provision**	**130**	

* *The reversal of inventory provisions arose due to changes in selling conditions in the current year against prior year estimates.*

** *Barloworld Equipment Southern Africa's finished parts inventory includes rebuilt components. In prior years this segment experienced significant operational challenges which resulted in reduced margins earned on rebuilt components. These factors, together with considering inventory turns, were used in estimating the net realisable value (NRV) of rebuilt components. The segment has been in the process of re-organising, restructuring and improving efficiencies of the remanufacturing processes. The operational efficiency efforts undertaken resulted in the Rebuild Centre being certified by Caterpillar in April 2018. In order to receive certification the Rebuild Centre had to demonstrate excellence in quality, efficiency, capacity, image, administration and continuous improvements. This certification, together with operational efficiencies, has resulted in increased margins being earned on rebuilt components which management believes are sustainable into the foreseeable future.*

Consequently, the conditions and circumstances of the rebuilding process have changed in the current year and there is new information available to support margins achieved on, and forecast demand for, rebuilt components. This has resulted in a change in determining the scale applied to estimating the NRV of rebuilt components and in the determination of inventory turns. This change in methodology to estimate the NRV provision recognised against rebuilt components is considered a change in estimate in accordance with IAS 8 Accounting policies, changes estimates and errors. This change has been accounted for prospectively in the current year.

Applying the previous methodology, the NRV provision against rebuilt components would have increased by R75 million in the year (income statement charge of R75 million). The revised estimate resulted in a reduction in the NRV provision against rebuilt components of R205 million. Therefore the net impact recognised in the income statement as income for the year was R130 million.

		2018 Rm	2017 Rm
18.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	**7 716**	7 647
	Less: Allowance for doubtful receivables	**(770)**	(671)
	Net trade receivables	**6 946**	6 976
	Finance lease receivables (note 14)	**248**	259
	Fair value of derivatives	**1**	42
	Unlisted debt instruments*	**155**	662
	VAT receivables	**235**	249
	Prepayments	**473**	452
	Other receivables	**993**	1 009
	Total group	**9 051**	9 649
	Amounts classified as held for sale (note 20)	**(168)**	(973)
	Total per statement of financial position	**8 883**	8 676

* *The group remains invested in Dollar linked Angolan government bonds. These Kwanza denominated bonds are pegged to the United States Dollar. On maturity the bonds will be settled in Kwanza.*

Notes to the consolidated annual financial statements continued

for the year ended 30 September

		2018 Rm	2017 Rm
18.	**TRADE AND OTHER RECEIVABLES** continued		
	Allowance for doubtful receivables		
	At 1 October	**671**	686
	Additional allowance charged to profit or loss	**233**	167
	Allowance reversed to profit or loss	**(70)**	(83)
	Allowance utilised	**(46)**	(102)
	Reclassification**	**21**	
	Disposal of subsidiaries	**(49)**	
	Translation	**10**	3
	At 30 September	**770**	671
	Amounts classified as held for sale (note 20)^	**(4)**	(55)
	Total per statement of financial position	**766**	616
	***In Equipment Zambia a finance lease receivable was reclassified to a trade receivable in the current year due to a customer breaching the conditions of a contract.*		
	^ The closing balance of the allowance for doubtful receivables includes R4 million relating to trade receivables within the Logistics division that have been classified as held for sale. During the 2017 financial year R55 million was included in allowance for doubtful receivables which related to our Equipment Iberia operation which has subsequently been sold.		
	Age analysis of carrying value of items past due but not impaired per class		
	Industry		
	Less than 30 days	**406**	597
	Between 31 and 60 days	**159**	343
	Between 60 and 90 days	**89**	144
	Greater than 90 days	**407**	380
		1 060	1 464
	Government		
	Less than 30 days	**17**	12
	Between 31 and 60 days	**8**	8
	Between 60 and 90 days	**9**	21
	Greater than 90 days	**24**	22
		58	63
	Consumers		
	Less than 30 days	**50**	43
	Between 31 and 60 days	**9**	17
	Between 60 and 90 days	**3**	21
	Greater than 90 days	**1**	34
		63	115
	Carrying value of financial assets ceded as collateral for liabilities or contingent liabilities		76
	At 30 September 2017 accounts receivable of certain legal entities within the Barloworld Logistics Transport Group were ceded to Standard Bank as security for working capital facilities granted. This arrangement was terminated during 2018.		
19.	**CASH AND CASH EQUIVALENTS**		
	Cash on deposit	**7 384**	3 236
	Other cash and cash equivalent balances	**528**	791
	Total group	**7 912**	4 027
	Amount classified as held for sale	**(19)**	(102)
	Total per statement of financial position	**7 893**	3 925
	Per currency:		
	South African Rand	**2 889**	1 213
	Foreign currencies	**5 004**	2 712
		7 893	3 925
	Cash balances not available for use due to insurance reserving and foreign exchange restrictions	**178**	444
	This includes R140 million ($9.9 million) of Angolan Kwanza (2017: R401 million ($29.7 million)).		

Notes to the consolidated annual financial statements continued

for the year ended 30 September

20. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

The Equipment Iberia business segment was classified as a discontinued operation as 30 September 2017. The sale of this business segment was concluded during June 2018.

Results from discontinued operations are as follows:

	2018 Rm	2017 Rm
Revenue	3 337	4 076
Operating profit before items listed below (EBITDA)	215	58
Depreciation	(72)	(121)
Amortisation of intangible assets	(7)	(14)
Operating profit/(loss)^	136	(77)
Finance costs	(2)	(9)
Income from investments		1
Profit/(loss) before non-operating and capital items	134	(85)
Non-operating and capital items	9	
Profit/(loss) before taxation	143	(85)
Taxation	(29)	(51)
Profit/(loss) after taxation	114	(136)
Loss from associates#	(67)	(133)
Profit/(loss) from discontinued operations	47	(269)
Net profit on disposal of discontinued operations@	1 600	
Profit/(loss) discontinued operations per income statement	1 647	(269)
The cash flows from the discontinued operation are as follows:		
Cash flows from operating activities	129	381
Cash flows from investing activities	(31)	(65)
Cash flows from financing activities	(6)	(326)

^ *Operating loss at 30 September 2017 included restructuring costs of R137 million (€9,1 million).*
# *Loss from associates includes an impairment of investment of R47 million (2017: R75 million).*
@ *Net profit on disposal of Equipment Iberia includes R1.5 billion that relates to the recycling of the foreign currency translation reserves since acquisition.*

Notes to the consolidated annual financial statements continued

for the year ended 30 September

20. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE continued

The major classes of assets and liabilities classified as held for sale are as follows:

	Total held for sale Rm	Logistics[1] Rm	Corporate[2] Rm
2018			
Property, plant and equipment	**253**	**160**	**93**
Deferred taxation asset	**18**	**18**	
Intangible assets	**2**	**2**	
Inventories	**37**	**37**	
Trade and other receivables*	**168**	**168**	
Cash balances	**19**	**19**	
Assets classified as held for sale	**497**	**404**	**93**
Trade and other payables – short and long term**	**(125)**	**(125)**	
Bank overdraft	**(1)**	**(1)**	
Total liabilities associated with assets classified as held for sale	**(126)**	**(126)**	
Net assets classified as held for sale	**371**	**278**	**93**

[1] Following a detailed strategic review of the various operations within the Logistics business, management has taken the firm decision to sell the KLL and SmartMatta businesses. In the prior year, the Logistics Middle East operations were classified as held for sale and positive steps have been made to dispose of this business in the year. Based on progress in the year and developments subsequent to year end, management is confident that this sale will take place in 2019, failing which a reassessment of this classification will be made. These assets do not constitute a major line of business and have therefore not been classified as discontinued operations.

[2] The net assets held for sale within the Corporate division relate to the Barlow Park property owned by Barloworld Limited which is in the process of being sold into a consortium of investors with the aim of re-developing the site into a multi-use precinct.

** Includes financial assets of R63 million (2017: R798 million).*

*** Includes financial liabilities measured at amortised cost of R83 million (2017: R369 million).*

	Total held for sale Rm	Equipment Iberia Rm	Logistics[1] Rm
2017			
Property, plant and equipment	1 131	1 030	101
Investments	97	97	
Long-term financial assets	9	9	
Deferred taxation asset	166	166	
Intangible assets	42	42	
Inventories	823	823	
Trade and other receivables*	973	942	31
Cash balances	102	69	33
Assets classified as held for sale	3 343	3 178	165
Interest-bearing short and long-term loans	(33)	(19)	(14)
Trade and other payables – short and long term**	(637)	(611)	(26)
Deferred taxation liability	(2)	(2)	
Provisions	(125)	(121)	(4)
Total liabilities associated with assets classified as held for sale	(797)	(753)	(44)
Net assets classified as held for sale	2 546	2 424	122

[1] The net assets held for sale relate to assets of the Logistics Middle East business which management expected would be sold in 2018. Refer to earlier statements made regarding progress on this sale. This division within Logistics does not constitute a major line of business or geographical presence and has therefore not been classified as a discontinued operation.

** Included financial assets of R798 million.*

*** Included financial liabilities measured at amortised cost of R369 million.*

Notes to the consolidated annual financial statements continued

for the year ended 30 September

	2018 Rm	2017 Rm
21. SHARE CAPITAL AND PREMIUM		
Authorised share capital		
500 000 (2017: 500 000) 6% non-redeemable cumulative preference shares of R2 each	**1**	1
400 000 000 (2017: 400 000 000) ordinary shares of 5 cents each	**20**	20
	21	21
Issued share capital		
375 000 (2017: 375 000) 6% non-redeemable cumulative preference shares of R2 each	**1**	1
212 692 583 (2017: 212 692 583) ordinary shares of 5 cents each	**11**	11
	12	12
Share premium	**429**	429
Total issued share capital and premium	**441**	441
Issued shares:		
Total number of shares in issue at beginning of year	**212 692 583**	212 692 583
Treasury shares	**(1 570 042)**	(2 085 988)
Net number of ordinary shares in issue at end of year	**211 122 541**	210 606 595
Unissued shares (note 1 below):		
Ordinary shares reserved to meet the requirements of the Barloworld Share Option Scheme (note 2 below)	**23 129 182**	23 129 182
Ordinary shares	**164 178 235**	164 178 235
	187 307 417	187 307 417
6% non-redeemable cumulative preference shares	**125 000**	125 000

Notes

1. The directors have no general authority to issue shares.
2. The shareholders at the general meeting on 20 January 2005 reserved shares for the purposes of the Barloworld Share Option Scheme.

The directors have a general authority to buy back up to 5% of the ordinary shares issued by the company.
Refer to note 32 for detail about the Barloworld share incentive schemes and share-based payments disclosure.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

		2018 Rm	2017 Rm
22.	**INTEREST-BEARING LIABILITIES**		
	Total long-term borrowings (note 31.2)*	**8 118**	8 489
	Less: Current portion redeemable and repayable within one year (note 26)	**(2 123)**	(856)
	Total group	**5 995**	7 633
	Amount classified as held for sale		(10)
	Total per statement of financial position	**5 995**	7 623

	Total owing	Repayable during the year ending 30 September					Total owing
	2018	**2019**	**2020**	**2021**	**2022**	**2023 and onwards**	2017
Summary of group borrowings by currency and by year of redemption or repayment							
Rm							
Total South African Rand	**7 767**	1 848	2 439	1 202	1 530	748	8 031
Total foreign currencies	**351**	275	76				458
Total South African Rand and foreign currency liabilities	**8 118**	2 123	2 515	1 202	1 530	748	8 489

Included above are secured liabilities as follows:

	Liabilities secured		Net book value of assets encumbered	
	2018 Rm	2017 Rm	**2018 Rm**	2017 Rm
Secured liabilities				
Secured loans				
South African Rand	**102**	106	**403**	416
Liabilities under capitalised finance leases (note 28)				
South African Rand	**528**	769	**468**	775
Foreign currencies	**96**	18		
Total secured liabilities	**726**	893	**871**	1 191
Assets encumbered are made up as follows:				
Property, plant and equipment			**871**	1 191
			871	1 191

** Included in this number are Barloworld bonds in the table on the next page.*

Notes to the consolidated annual financial statements continued

for the year ended 30 September

22. INTEREST-BEARING LIABILITIES continued

Certificate	Issued	Maturity	Comparable treasury stock	Spread bps	Yield %	Type	2018 Rm	2017 Rm
BAW3	15 Sep 10	2 Oct 17	3-month JIBAR*	260	9.95	Floating rate		334
BAW8	15 Sep 10	2 Oct 17	203	234	9.94	Fixed rate (NACS)		91
BAW11	14 Jun 11	1 Oct 18	R 204	156	9.80	Fixed rate (NACS)	**460**	460
BAW17	5 Dec 13	5 Dec 18	3-month JIBAR	148	8.49	Floating rate	**714**	714
BAW18	5 Dec 13	5 Dec 20	3-month JIBAR	170	8.71	Floating rate	**355**	355
BAW19	5 Dec 13	5 Dec 20	208	167	9.56	Fixed rate (NACS)	**472**	472
BAW21	24 Mar 15	24 Mar 22	208	210	9.30	Fixed rate (NACS)	**710**	710
BAW22	7 Dec 15	7 Dec 22	3-month JIBAR	200	9.01	Floating rate	**252**	253
BAW24	30 Sep 16	30 Sep 19	3-month JIBAR	185	8.85	Floating rate	**501**	501
BAW25	9 May 17	8 May 20	3-month JIBAR	180	8.78	Floating rate	**582**	582
BAW26U	11 May 17	11 May 21	3-month JIBAR	195	8.95	Floating rate	**250**	250
BAW27U	11 May 17	11 May 22	3-month JIBAR	210	9.10	Floating rate	**250**	250
BAW28	6 Jun 17	6 Jun 22	3-month JIBAR	205	9.06	Floating rate	**500**	500
BAW29	22 Feb 18	22 Feb 23	3-month JIBAR	180	8.82	Floating rate	**400**	
Fees capitalised							**(6)**	(11)
							5 440	5 461

** JIBAR – Johannesburg interbank average rate.*

	2018 Rm	2017 Rm
23. PROVISIONS		
Non-current	**47**	144
Current	**1 100**	929
Total group	**1 147**	1 073
Amounts classified as held for sale		(125)
Total per statement of financial position	**1 147**	948

Notes to the consolidated annual financial statements continued

for the year ended 30 September

	Total 2018 Rm	Warranty claims Rm	Maintenance contracts Rm	Other Rm
23. PROVISIONS continued				
Movement of provisions				
Balance at beginning of year per statement of financial position	**948**	229	516	203
Balance at beginning of year – classified as held for sale	**125**		93	32
Amounts added	**764**	332	319	113
Amounts used	**(400)**	(211)	(129)	(60)
Amounts reversed unused	**(169)**	(40)	(97)	(32)
Disposal of subsidiaries	**(125)**		(93)	(32)
Translation adjustments	**4**	5	2	(3)
Total per statement of financial position	**1 147**	315	611	221
To be incurred				
2018				
Within one year	**1 100**	310	597	193
Between two to five years	**47**	5	14	28
	1 147	315	611	221
2017				
Within one year	**929**	229	514	187
Between two to five years	**19**		2	16
	948	229	516	203

Warranty claims

The provisions relate principally to warranty claims on capital equipment, spare parts and services. The estimate is based on claims notified and past experience.

Maintenance contracts

This relates to deferred revenue on maintenance and repair contracts on equipment and motor vehicles. Assumptions include the estimation of maintenance and repair costs over the life cycle of the assets concerned. The timing of these cash flows is an area of judgement.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

		2018 Rm	2017 Rm
24.	**OTHER NON-CURRENT LIABILITIES**		
	Retirement benefit obligation	**1 753**	2 236
	Deferred income maintenance contract	**340**	333
	Other payables	**150**	103
	Total per statement of financial position	**2 243**	2 672

Retirement benefit information

It is the policy of the group to encourage, facilitate and contribute to the provision of retirement benefits for all permanent employees. To this end the group's permanent employees are usually required to be members of either a pension or provident fund, depending on their preference and local legal requirements.

Altogether 74% of employees belong to one defined benefit and nine defined contribution retirement funds in which group employment is a prerequisite for membership. Of these, the defined benefit and five defined contribution funds are located outside of South Africa and accordingly are not subject to the provisions of the Pension Funds Act of 1956. A total of 21% of employees belong to defined contribution funds associated with industry or employee organisations.

Defined contribution plans

The total cost charged to profit or loss of R861 million (2017: R856 million) represents contributions payable to these schemes by the group at rates specified in the rules of the schemes (note 3).

Defined benefit plans

The group sponsors a funded defined benefit scheme for qualifying employees in the United Kingdom.

The UK defined benefit scheme is administered by a board of trustees which manages the assets held in trust for the benefit of the scheme members. The trustee board of the pension scheme is composed of one employer representative, one member nominated representative and one independent professional trustee. The trustee board is required by the trust deed and rules, pension law and by its articles of association to act in the interests of all relevant stakeholders in the scheme, ie, current employees, former employees, retirees and dependants. The scheme closed to future accrual on 31 December 2016.

The scheme exposes the company to a number of risks, the most significant of which are:

Changes in bond yields	A decrease in corporate bond yields will increase the value placed on the scheme's liabilities, although this will be partially offset by an increase in the value of the scheme's bond holdings.
Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The scheme holds a significant proportion of growth assets (equities and absolute return funds) which, though expected to outperform corporate bonds in the long term, create volatility risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the scheme's long-term objectives.
Inflation risk	A significant proportion of the scheme's benefit obligations is linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.
Life expectancy	The majority of the scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

As the scheme is closed to future accrual, future contributions into the scheme comprise solely recovery plan contributions if considered necessary. Following the latest triennial valuation at 1 April 2017 the deficit is planned to be funded via recovery plan contributions and investment returns from return-seeking assets. In terms of the recently agreed recovery plan nine instalments of £13 million will be paid starting from 1 April 2018 to 1 April 2026. This plan will be re-assessed as at April 2020.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

	2018 Rm	2017 Rm
24. OTHER NON-CURRENT LIABILITIES continued		
Amounts recognised in the income statement in respect of defined benefit schemes are as follows:		
Current service cost		1
Plan administration expenses	**14**	11
Net loss recognised in profit or loss (note 3)	**14**	12
Net interest expenses	**57**	65
Components of defined benefit costs recognised in profit or loss	**71**	77
Actual return on plan assets	**314**	340

The scheme's IAS 19 accounting valuation at 30 September 2018 reflected a deficit of £95 million (R1 753 million) which represents a decrease compared to the deficit in 2017 of £123 million (R2 236 million). The discount rate increased from 2.7% in 2017 to 2.9% in 2018. The increased discount rate together with asset returns and the recovery plan contribution of £10 million (R240 million), contributed to the lower deficit.

The trustee board carry out a strategic investment review following completion of each triennial valuation to ensure that the assets are managed in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the scheme.

The trustee board and the group are actively considering mechanisms to reduce risk in the scheme. During 2016 the trustee secured a further insurance policy (buy-in) for some pensioner liabilities, bringing the total buy-ins up to a value of £120 million. The trustee intends to continue to seek risk mitigation opportunities to reduce scheme volatility and match liabilities as far as possible. The interest rate hedging is in the process of being increased from 33% to 50%, through use of bonds which match the duration of the liabilities.

The scheme's assets consist primarily of equities (local and offshore), corporate bonds and insurance policies. The markets performed well resulting in strong returns from the equity and bond markets, which resulted in returns being £4 million (R74 million) higher than projected.

The amount included in the balance sheet arising from the group's obligations in respect of the defined benefit scheme is set out below:

	2018 Rm	2017 Rm
Present value of funded obligation	**10 533**	11 123
Fair value of plan assets	**8 780**	8 886
Net liability per statement of financial position	**1 753**	2 236
Movement in present value of funded obligation:		
At beginning of year	**11 123**	11 864
Current service cost		1
Interest cost	**281**	269
Actuarial gains arising from changes in demographic assumptions	**(69)**	(183)
Actuarial gains arising from changes in financial assumptions	**(367)**	(263)
Actuarial losses/(gains) arising from experience	**107**	(104)
Benefits paid	**(732)**	(641)
Exchange differences	**190**	180
At end of year	**10 533**	11 123

Notes to the consolidated annual financial statements continued

for the year ended 30 September

		2018 Rm	2017 Rm
24.	**OTHER NON-CURRENT LIABILITIES** continued		
	Movement in fair value of plan assets:		
	At beginning of year	**8 886**	8 980
	Interest income	**224**	204
	Actuarial gains recognised in the statement of comprehensive income	**86**	128
	Plan administration expenses	**14**	10
	Contributions	**183**	91
	Benefits paid	**(732)**	(641)
	Exchange differences	**119**	114
	At end of year	**8 780**	8 886
	Cumulative actuarial losses	**3 358**	3 601
	Plan assets consist of the following:		
	– Equity instruments (%)	**51**	53
	– Bonds (%)	**45**	43
	– Cash (%)	**4**	4

The defined benefit funds was valued by an independent actuary as follows:

	Valuation interval	Latest statutory valuation
Barloworld UK Pension Scheme	**Triennial**	2017

	2018	2017
Key assumptions used:		
Discount rate (%)	**2.9**	2.7
Expected rate of salary increases (%)	**3.2**	3.2
Future pension increases (%)	**3.1**	
Mortality (table using year of birth)	**S2PA**	S2PA

Sensitivity to key assumptions	Operating expenses £000	Net interest £000	Total income statement expense £000	Scheme assets £000	Defined benefit obligation £000	Deficit £000
Current values	795	2 576	3 371	475 453	(570 761)	(95 308)
Following a 0.2% p.a. increase in the discount rate	795	2 213	3 008	473 302	(551 160)	(77 858)
Following a 0.2% p.a. increase in the inflation assumption	795	3 039	3 834	477 591	(588 881)	(111 290)
Following a 0.25% increase in the long-term rate of improvement for post-retirement mortality	795	2 710	3 505	476 095	(574 040)	(97 945)

In assessing the group's post-retirement liabilities, the group, following actuarial advice, has used standard mortality tables adjusted to reflect the mortality experience of the defined benefit scheme. The mortality assumption remained consistent with the prior year.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

		2018 Rm	2017 Rm
25.	**TRADE AND OTHER PAYABLES**		
	Trade and other payables	**9 649**	9 597
	Floorplan	**1 589**	1 717
	Fair value of derivatives	**9**	18
	Total group	**11 247**	11 332
	Amounts classified as held for sale	**(125)**	(635)
	Total per statement of financial position	**11 122**	10 697
	Refer note 17 for details of inventory pledged as security for payables.		
26.	**AMOUNTS DUE TO BANKERS AND SHORT-TERM LOANS**		
	Bank overdrafts and acceptances	**1 724**	284
	Short-term loans	**628**	294
	Commercial paper	**700**	643
	Current portion of long-term borrowings (note 22)	**2 123**	856
	Total group	**5 175**	2 077
	Amounts classified as held for sale	**(1)**	(22)
	Total per statement of financial position	**5 174**	2 055
	Per currency:		
	South African Rand	**4 016**	1 520
	Foreign currencies	**1 158**	535
		5 174	2 055
	Refer to note 31.2(b)(ii) for salient loan terms and interest rate sensitivity analysis.		
27.	**DIVIDENDS**		
	Ordinary shares		
	Final dividend No 178 paid on 15 January 2018: 265 cents per share (2017: No 176 – 230 cents per share)	**564**	489
	Interim dividend No 179 paid on 11 June 2018: 145 cents per share (2017: No 177 – 125 cents per share)	**308**	266
	Paid to Barloworld Limited shareholders	**872**	755
	Paid to non-controlling shareholders	**81**	48
		953	803

Analysis of dividends declared in respect of current year's earnings:

	2018 Cents	2017 Cents
Ordinary dividends per share		
Interim dividend	**145**	125
Final dividend	**317**	265
	462	390

6% cumulative non-redeemable preference shares

Preference dividends totalling R22 500 were declared on each of the following dates:
– 1 October 2018 (paid on 5 November 2018)
– 3 April 2018 (paid on 7 May 2018)
– 6 October 2017 (paid on 6 November 2017)

Notes to the consolidated annual financial statements continued

for the year ended 30 September

	2018 Rm	2017 Rm
28. COMMITMENTS		
Capital expenditure commitments to be incurred:		
Contracted – property, plant and equipment	**340**	566
Contracted – vehicle rental fleet	**1 131**	1 259
Approved but not yet contracted	**216**	168
Total continuing operations	**1 687**	1 993
Discontinued operation		24
Total group	**1 687**	2 017
Share of joint ventures' capital expenditure commitments to be incurred:		
Approved but not yet contracted	**135**	
	135	

Capital expenditure will be financed by funds generated by the business, existing cash resources and borrowing facilities available to the group.

Lease commitments:

	Long term > 5 years Rm	Medium term 2 – 5 years Rm	Short term <1 year Rm	2018 Total Rm	2017 Total Rm
Operating lease commitments					
Land and buildings	695	1 193	411	**2 300**	1 677
Motor vehicles	19	351	246	**616**	728
Capital equipment and other		26	497	**523**	526
Total continuing operations	715	1 570	1 154	**3 439**	2 933
Discontinued operation					143
Total group	715	1 570	1 154	**3 439**	3 075

Notes to the consolidated annual financial statements continued

for the year ended 30 September

28. COMMITMENTS continued

Land and building commitments include the following items:

- Commitments for the operating and administrative facilities used by the majority of business segments. The average lease term is five years. Many lease contracts contain renewal options at fair market rates.
- Properties used for office accommodation and used car outlets in the major southern African cities. Rentals escalate at rates which are in line with the historical inflation rates applicable to the southern African environment. Lease periods do not exceed five years.
- Properties at airport locations. The leases are in general for periods of five years and the rental payments are based on a set percentage of revenues generated at those locations subject to certain minimums.

Motor vehicle commitments are mainly for vehicles in use in the offshore operations. The average lease term is four years.

Capital equipment and other commitments mainly consist of lease agreements for lifting equipment, office containers, photocopiers and printers.

	Long term > 5 years	Medium term 2 – 5 years	Short term <1 year	2018 Total	2017 Total
	Rm	Rm	Rm	Rm	Rm
Finance lease commitments					
Present value of minimum lease payments					
Land and buildings	56	85	18	**159**	182
Motor vehicles		227	142	**369**	585
Capital equipment and other		77	20	**97**	2
Total continuing operations	56	389	180	**625**	769
Discontinued operation					18
Total group	56	389	180	**625**	787
Minimum lease payments					
Land and buildings	84	133	37	**254**	328
Motor vehicles		252	168	**420**	679
Capital equipment and other		88	27	**115**	3
Total including future finance charges	84	473	232	**789**	1 010
Future finance charges				**(164)**	(242)
Total continuing operations	84	473	232	**625**	768
Discontinued operation including future finance charges					20
Discontinued operation from future finance charges					(1)
Total group	84	473	232	**625**	787

Land and building commitments are for certain fixed rate leases in the Automotive division for trading premises with an average term of 12 years including a purchase option at the end of the term and the Equipment division for premises with an average term of 15 to 20 years.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

	2018 Rm	2017 Rm
29. CONTINGENT LIABILITIES		
Performance guarantees given to customers, other guarantees and claims		
From continuing operations	**872**	578
From discontinued operations		207
Total group	**872**	785
Buy-back and repurchase commitments not reflected on the statement of financial position		
From continuing operations	**94**	102
From discontinued operation		24
Total group	**94**	126

During 2018 the Barloworld Equipment division has entered into a 25% risk share agreement with Caterpillar Financial in South Africa and Portugal. The risk share agreement only relates to certain agreed upon customer risk profiles and relates to exposure at default less any recoveries. As at 30 September 2018 the maximum exposure of this guarantee was estimated to be R278 million.

In October 2017, the Barloworld Equipment South Africa (BWE SA) business received notification from the Competition Commission that it is investigating a complaint against the Contractors Plant Hire Association of which Barloworld Equipment was a member. The matter is ongoing but no action has been taken by the Competition Authorities.

The company and its subsidiaries are continuously subject to various tax and customs audits in the territories in which it operates. While in most cases the companies are able to successfully defend the tax positions taken, the outcomes of some of the audits are being disputed. Where, based on our own judgement and the advice of external legal counsel, we believe there is a probable likelihood of the group being found liable, adequate provisions have been recognised in the financial statements. The Namibian Directorate Customs and Excise performed an audit on the import and export records of Barloworld's rental business in-country. Resulting from this audit, the company received notice of the Directorate Customs and Excise's intention to impose a penalty relating to the immediate availability of certain original customs documentation. This matter is ongoing. At the date of this report, management was unable to conclude on the possible outcome of certain tax and customs matters, nor could management reliably measure the potential financial impact at this stage.

30. INSURANCE CONTRACTS

Certain transactions are entered into by the group as insurer which falls within the definition of insurance contracts per IFRS 4 *Insurance Contracts*.

The following are included as part of Equipment's maintenance contracts, provision of parts and components, on-site labour, support staff and assets (eg vehicles, computers, tooling) to the customer combined with expertise, in order to maintain the customer's fleet.

All full maintenance lease contracts are included in Automotive's insurance contracts and all upfront maintenance contracts Avis Fleet Services administer on behalf of original equipment manufacturer (OEM) are excluded.

	2018 Rm	2017 Rm
Income	**(1 967)**	(1 982)
Expenses	**1 498**	1 502
Cash inflow	**373**	502
Liabilities:		
At beginning of year	**1 110**	1 068
Amounts added	**607**	519
Amounts used	**(425)**	(300)
Amounts reversed unused	**(174)**	(129)
Fair value adjustment on discount effect	**43**	(14)
Disposal of subsidiaries	**(65)**	
Amounts reclassified as held for sale		(39)
Translation difference	**1**	5
At end of year	**1 097**	1 110
Maturity profile:		
Within one year	**757**	777
Two to five years	**340**	333
	1 097	1 110

Notes to the consolidated annual financial statements continued

for the year ended 30 September

	2018 Rm	2017 Rm
30. INSURANCE CONTRACTS continued		
Assets:		
At beginning of year	**191**	346
Amounts added	**1 355**	180
Amounts used	**3**	(335)
Disposal of subsidiaries	**(3)**	
At end of year	**1 546**	191
Age analysis of items overdue but not impaired:		
Overdue 30 to 60 days	**1 537**	
Overdue 60 to 90 days	**3**	
Overdue 90+ days	**6**	
	1 546	

Significant assumptions and risks arising from insurance contracts

Maintenance contracts

Maintenance contracts are offered to customers in the equipment and automotive segments. The contracts are managed internally through ongoing contract performance reviews, review of costs and regular fleet inspections. Risks arising from maintenance contracts includes component lives, component failure and cost of labour. The contracts consist of a variety of forms but generally include cover for regular maintenance as well as for repairs due to breakdowns and component failure which are not covered by manufacturer's warranties or other external maintenance plans. The amounts above include the estimated portion of contracts that meet the definition of an insurance contract. Revenue is recognised on the percentage of completion method based on the anticipated cost of repairs over the life cycle of the equipment/vehicles. If the costs incurred exceed the revenue over the expected life of the policy, the future losses are accounted for immediately in profit and loss based on the present value of the contract loss.

In Automotive the assets and liabilities are measured based on actuarial valuations done and in Equipment they are based on cash flow projections.

Financial risk mainly relates to credit risk but credit quality of customers is generally considered to be good and similar to the rest of the group's operations. Risks are spread over a large diversity of customers, fleets of equipment and vehicles and geographically in southern Africa and Europe.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

31. FINANCIAL INSTRUMENTS

The group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, bank borrowings, money and capital market borrowings, leases, hire-purchase agreements discounted with recourse and derivatives. Details of the amounts discounted with recourse are included in note 30. Derivative instruments are used by the group for hedging purposes. Such instruments include forward exchange, currency option contracts and interest rate swap agreements. The group does not speculate in the trading of derivative instruments.

31.1 Summary of the carrying and fair value of financial instruments

		2018		
		Fair value through profit and loss: Designated at initial recognition	Fair value through profit and loss: Held for trading items	Held to maturity
	Notes	Rm	Rm	Rm
ASSETS				
Finance lease receivables	14			
Long-term financial assets	15	55		755
Trade and other receivables	18			155
Cash and cash equivalents	19			
Total assets		55		910

		2017		
		Fair value through profit and loss: Designated at initial recognition	Fair value through profit and loss: Held for trading items	Held to maturity
	Notes	Rm	Rm	Rm
ASSETS				
Finance lease receivables	14			
Long-term financial assets	15	49		228
Trade and other receivables	18			662
Cash and cash equivalents	19			
Total assets		49		890

2018

Available-for-sale financial assets	Loans and receivables	Derivatives designated as hedging instruments	Finance lease receivables	Total financial assets	Non-financial instruments	Assets held for sale	Total amount
Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
			211	211			211
5	61		20	896	10		909
	8 005	1	248	8 408	643	(168)	8 883
	7 912			7 912		(19)	7 893
5	15 977	1	479	17 427	653	(187)	17 897

2017

Available-for-sale financial assets	Loans and receivables	Derivatives designated as hedging instruments	Finance lease receivables	Total financial assets	Non-financial instruments	Assets held for sale	Total amount
Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
			240	240			240
	72			349	64	(9)	404
	7 013	42	259	7 976	1 673	(973)	8 676
	4 027			4 027		(102)	3 925
	11 112	42	499	12 592	1 737	(1 084)	13 245

Notes to the consolidated annual financial statements continued

for the year ended 30 September

31. FINANCIAL INSTRUMENTS continued

31.1 Summary of the carrying and fair value of financial instruments continued

		2018							
	Notes	Fair value through profit and loss: Designated at initial recognition Rm	Fair value through profit and loss: Held for trading items Rm	Measured at amortised cost Rm	Derivatives designated as hedging instruments Rm	Total financial liabilities Rm	Non-financial instruments Rm	Assets held for sale Rm	Total amount Rm
LIABILITIES									
Interest-bearing non-current liabilities	22			5 995		5 995			5 995
Other non-current liabilities	24			490		490	1 753		2 243
Trade and other payables	25	9		9 444		9 453	1 794	(125)	11 122
Amounts due to bankers and short-term loans	26			5 140	35	5 175		(1)	5 174
Total liabilities		9		21 069	35	21 113	3 537	(126)	24 534

		2017							
	Notes	Fair value through profit and loss: Designated at initial recognition Rm	Fair value through profit and loss: Held for trading items Rm	Measured at amortised cost Rm	Derivatives designated as hedging instruments Rm	Total financial liabilities Rm	Non-financial instruments Rm	Assets held for sale Rm	Total amount Rm
LIABILITIES									
Interest-bearing non-current liabilities	22			7 079		7 079	577	(33)	7 623
Other non-current liabilities	24			435		435	2 237		2 672
Trade and other payables	25	5	1	8 569		8 575	2 759	(637)	10 697
Amounts due to bankers and short-term loans	26			2 055		2 055			2 055
Total liabilities		5	1	18 138		18 144	5 573	(670)	23 047

Notes to the consolidated annual financial statements continued

for the year ended 30 September

	2018 Rm	2017 Rm
31. FINANCIAL INSTRUMENTS continued		
31.1 Summary of the carrying and fair value of financial instruments continued		
Carrying value of financial instruments by class:		
Financial assets:		
Trade receivables		
– Industry	**6 124**	5 429
– Government	**902**	438
– Consumers	**543**	403
Other loans and receivables and cash balances	**9 120**	5 732
Finance lease receivables	**459**	499
Derivatives (including items designated as effective hedging instruments)		
– Forward exchange contracts	**1**	42
Other financial assets at fair value	**278**	49
Total carrying value of financial assets	**17 427**	12 592
Financial liabilities:		
Trade payables		
– Principals	**2 925**	3 336
– Other suppliers	**3 734**	5 234
Other non-interest-bearing payables	**490**	435
Derivatives (including items designated as effective hedging instruments)		
– Forward exchange contracts	**35**	
– Other derivatives	**9**	5
Interest-bearing debt measured at amortised cost	**13 920**	9 134
Total carrying value of financial liabilities	**21 113**	18 144
Fair value of financial instruments by class:		
Financial assets:		
Trade receivables		
– Industry	**6 124**	5 429
– Government	**902**	438
– Consumers	**543**	403
Other loans and receivables and cash balances	**9 120**	5 726
Finance lease receivables	**459**	499
Derivatives (including items designated as effective hedging instruments)		
– Forward exchange contracts	**1**	42
Other financial assets at fair value	**278**	55
Total fair value of financial assets	**17 427**	12 592
Financial liabilities:		
Trade payables		
– Principals	**2 925**	3 336
– Other suppliers	**3 734**	5 234
Other non-interest-bearing payables	**490**	435
Derivatives (including items designated as effective hedging instruments)		
– Forward exchange contracts	**35**	
– Other derivatives	**9**	5
Interest-bearing debt measured at amortised cost	**13 991**	9 659
Total fair value of financial liabilities	**21 184**	18 669

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 discounted cash flows.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

31. FINANCIAL INSTRUMENTS continued

31.2 Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets. The markets from which these quoted prices are obtained are the bonds market, the stock exchange as well as other similar markets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
  The valuation techniques used in deriving level 2 fair values are discounted cash flows. The discounted cash flows are derived using rates that appropriately reflects the different risks of the various counterparties in relation to the financial instrument. Significant unobservable inputs are long-term revenue and profit projections as well as management's experience and knowledge of the market conditions. Inputs used and assumptions made in relation to the discounted cash flow model is based on macro-economic indicators consistent with external sources of information.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The valuation techniques used in deriving level 3 fair values are discounted cash flows as well as the net asset value approach of the investment that is being valued. This information is based on unobservable market data, and adjusted for based on management's experience and knowledge of the investment.

	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	Rm	**Rm**	**Rm**	**Rm**
Financial assets at fair value through profit or loss				
Financial assets designated at fair value through profit or loss			**55**	**55**
Available for sale financial assets				
Shares			**5**	**5**
Derivative assets designated as effective hedging instruments		**1**		**1**
Total		**1**	**60**	**62**
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss		**9**		**9**
Derivatives		**35**		**35**
Total		**44**		**44**

	2017			
	Level 1	Level 2	Level 3	Total
	Rm	Rm	Rm	Rm
Financial assets at fair value through profit or loss				
Financial assets designated at fair value through profit or loss			49	49
Available for sale financial assets				
Shares			5	5
Derivative assets designated as effective hedging instruments		42		42
Total		42	54	96
Financial liabilities at fair value through profit or loss				
Derivatives	5			5
Total	5			5

FECs are classified under level 2 as they are not quoted and the value needs to be calculated.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

31. FINANCIAL INSTRUMENTS continued

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

Reconciliation of level 3 fair value measurements

	Available-for-sale unlisted shares Rm	Fair value of investment in cell captives Rm
Balance 30 September 2016	5	28
Total gains recognised in profit and loss		21
Balance 30 September 2017	5	49
Total gains recognised in profit and loss		6
Balance 30 September 2018	**5**	**55**

Total gains/(losses) recognised in profit and loss relate to unrealised gains relating to financial assets that are measured at fair value at the end of the period.

31.3 Financial risk management

a. Capital risk management

The group manages its capital to ensure that all entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity. The overall strategy remains unchanged from the previous year.

The capital structure of the group consists of debt (refer notes 22 and 26), cash and cash equivalents (note 19) and equity attributable to equity holders of Barloworld Limited, comprising issued capital (note 21), reserves and retained earnings (statement of changes in equity).

A finance committee consisting of senior executives of the group meets on a regular basis to review the capital structure based on the cost of capital and the risks associated with each class of capital, analyse currency and interest rate exposure and to re-evaluate treasury management strategies in the context of most recent economic conditions and forecasts. The group has targeted gearing ratios for each major business segment. The group's various treasury operations provide the group with access to local money markets and provide group subsidiaries with the benefit of bulk financing and depositing.

b. Market risk

(i) Currency risk

Trade commitments

The group's currency exposure management policy for the southern African operations is to hedge substantially all material foreign currency trade commitments which customers have or will not be accepting the currency risk. In respect of offshore operations, where there is a traditionally stable relationship between the functional and transacting currencies, the need to take foreign exchange cover is at the discretion of the divisional board. Each division manages its own trade exposure within the overall framework of the group policy. In this regard the group has entered into certain forward exchange contracts which do not relate to specific items appearing in the statement of financial position, but were entered into to cover foreign commitments not yet due or proceeds not yet received. The risk of having to close out these contracts is considered to be low.

Net currency exposure and sensitivity analysis

The following table represents the extent to which the group has monetary assets and liabilities in currencies other than the group companies' functional currency. The information is shown inclusive of the impact of forward contracts and options in place to hedge the foreign currency exposures. Based on the net exposure below it is estimated that a simultaneous 10% change in all foreign currency exchange rates against divisional functional currency will impact the fair value of the net monetary assets/liabilities of the group to the extent of R373 million (2017: R181 million), of which R17 million (2017: R67 million) will impact other comprehensive income and R356 million (2017: R115 million) will impact profit or loss.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

31. FINANCIAL INSTRUMENTS continued

31.3 Financial risk management continued

b. Market risk continued

(i) Currency risk continued

	Currency of assets/(liabilities)				
	SA Rand	**Euro**	**British Sterling**	**US Dollar**	**Total**
Net foreign currency monetary assets/(liabilities)	**Millions**	**Millions**	**Millions**	**Millions**	**Millions**
Functional currency of group operation:					
South African Rand	**n/a**	**1**	**(4)**	**268**	**265**
British Sterling	**(58)**		**n/a**	**3 287**	**3 228**
US Dollar	**(103)**	**3**	**(16)**	**n/a**	**(116)**
Other currencies	**(59)**	**(1)**		**412**	**352**
As at 30 September 2018	**(220)**	**3**	**(20)**	**3 966**	**3 730**
South African Rand	n/a	1	23	1 734	1 757
British Sterling			n/a		
US Dollar				n/a	
Other currencies	54				54
As at 30 September 2017	54	1	23	1 734	1 811

	Fair value	
	2018 Rm	2017 Rm
Hedge accounting applied in respect of foreign currency risk		
Cash flow hedges		
– Fair value of (asset)/liability – foreign currency forward exchange contracts	**(34)**	42

The foreign currency contracts have been acquired to hedge the underlying currency risk arising from a firm commitment to acquire equipment machines as well as the forecast purchases of spare parts. All cash flows are expected to occur and affect profit or loss within the next 12 months.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

31. FINANCIAL INSTRUMENTS continued

31.3 Financial risk management continued

b. Market risk continued

(ii) Interest rate risk

The group 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 rate profile of total borrowings is as follows:

	Currency	Year of redemption/ repayment	Interest rate (%)	2018 Rm	2017 Rm
Liabilities in foreign currencies					
Bank overdrafts and short-term loans	USD		LIBOR* + 3.5%	**806**	460
	ZMK		(12%) +8.3%	**12**	18
	MZM		Prime (MT) – 2% and 3% p.a.**	**83**	12
	RUR		1-month MOSPRIME + 2.85%	**100**	34
	EUR		UK base rate + 2% and 3%	**2**	14
	BWP		Prime – 1.5%	**155**	20
Total short-term foreign currency liabilities				**1 158**	557
Amounts classified as held for sale					(22)
Total short-term foreign currency liabilities (note 26)				**1 158**	535
Unsecured loans	BWP	2019	Prime – 1.5%	**255**	439
Liabilities under capitalised finance leases	EUR	2019	EURIBOR*** 12-month + 5.68%	**96**	19
Total long-term foreign currency liabilities (note 22)				**351**	458
Liabilities in South African Rand					
Bank borrowings and bank overdrafts				**4 016**	1 520
Total South African Rand liabilities (note 26)				**4 016**	1 520
Secured loans		2018 – 2023 onwards	9 – 12.6	**102**	106
Unsecured loans		2018 – 2023	8.52 – 9.95	**7 137**	7 157
Liabilities under capitalised finance leases		2018 – 2023 onwards	8.3 – 15.1	**528**	768
Total South African Rand liabilities (note 22)				**7 767**	8 031
Total South African Rand and foreign currency liabilities (notes 22 and 26)				**13 292**	10 544
Interest rates					
Loans at fixed rates of interest				**3 605**	4 483
Loans linked to South African money market rates				**4 258**	3 819
Loans linked to offshore money markets				**255**	187
Long-term interest rate exposure (note 22)				**8 118**	8 489
Loans at fixed rates of interest				**460**	91
Loans linked to floating rates of interest				**3 556**	1 429
Loans linked to offshore money markets				**1 158**	535
Short-term interest rate exposure (note 26)				**5 174**	2 055
Interest rate exposure (note 22 and 26)				**13 292**	10 544

* *LIBOR – London inter-bank offered rate.*
** *Mozambique short-term bank instrument.*
*** *EURIBOR – European inter-bank offered rate.*

Notes to the consolidated annual financial statements continued
for the year ended 30 September

31. FINANCIAL INSTRUMENTS continued
31.3 Financial risk management continued
b. Market risk continued

(ii) Interest rate risk continued

	2018 Rm	2017 Rm
Interest rate sensitivity analysis		
Impact of a 1% increase in South African interest rates		
– Charge to profit or loss	**118**	80
Impact of a 1% increase in offshore interest rates		
– Charge to profit or loss	**15**	7
(iii) Other price risk		
The group is exposed to price risk arising out of the following:		
Barloworld share price		
The group has a liability to option holders in terms of the long-term share-based payments (refer note 32.2 and 32.3)		
Barloworld share price sensitivity analysis		
Impact of a 10% increase in the Barloworld share price as at 30 September		
– Charge to profit or loss in respect of the liability	**3**	1

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

c. Credit risk

Potential areas of credit risk consist of trade receivables and short-term cash investments. Trade receivables consist mainly of a large and widespread customer base. Group companies monitor the financial position of their customers on an ongoing basis. Where considered appropriate, use is made of credit guarantee insurance. The granting of credit is controlled by application and account limits. Provision is made for bad debts and at the year end management did not consider there to be any material credit risk exposure that was not already covered by credit guarantee insurance or a bad debt provision. It is group policy to deposit short-term cash investments with major banks and financial institutions with strong credit ratings.

Maximum exposure to credit risk represented by the carrying value of all financial assets on statement of financial position

	2018 Rm	2017 Rm
Maximum exposure to credit risk (excluding collateral held), exceeding the carrying amount		
Other items, including financial guarantees	**944**	785
	944	785

Notes to the consolidated annual financial statements continued

for the year ended 30 September

31. FINANCIAL INSTRUMENTS continued

31.3 Financial risk management continued

d. Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows, maintaining a balance between long-term and short-term debt and ensuring that adequate unutilised borrowing facilities are maintained. Unutilised bank facilities amounted to R10.5 billion (2017: R9.6 billion). There has been no change to this approach during 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):

	Repayable during the year ending 30 September		
	Total owing	2019	2020 to 2022
	Rm	Rm	Rm
Interest-bearing liabilities	**9 722**	**3 270**	**6 451**
Trade payables and other non-interest-bearing liabilities	**11 172**	**11 122**	**50**

	2018 Rm	2017 Rm
32. SHARE INCENTIVE SCHEMES AND SHARE-BASED PAYMENTS		
32.1 Financial effect of share-based payment transactions		
Income statement effect		
Compensation expense arising from equity and cash-settled forfeitable share plan	**68**	58
Compensation expense arising from equity and cash-settled share appreciation rights incentive plan	**7**	(16)
Share-based payment expense included in operating profit	**75**	42
Taxation benefit on forfeitable share plan and share appreciation rights	**(21)**	(12)
Net share-based payment expense after taxation	**54**	30
Financial position effect		
Liability raised for cash-settled shares (to be incurred within one to five years)	**(30)**	(13)
Deferred taxation asset raised on share-based payment transactions	**6**	25
Net (reduction)/increase in shareholders' interest as a result of share-based payment transactions	**(24)**	12

Notes to the consolidated annual financial statements continued

for the year ended 30 September

32. SHARE INCENTIVE SCHEMES AND SHARE-BASED PAYMENTS continued

32.2 Forfeitable share plan

On 28 January 2010 the group introduced the Barloworld Forfeitable Share Plan (FSP).

The scheme allows executive directors and certain senior employees to earn a long-term incentive to assist with the retention and reward of selected employees.

Shares are granted to employees for no consideration. These shares participate in dividends and shareholder rights from grant date.

The vesting of the shares is subject to continued employment for a period of three years or the employee will forfeit the shares.

Prior to the 2016 awards, shares issued to the executive directors were subject to performance conditions. From 30 March 2016 shares issued to the executive directors and certain senior employees are subject to performance conditions which will be measured over the three-year vesting period.

The performance conditions over the vesting period include a market condition based on total shareholder return and non-market conditions based on return on net operating assets and headline earnings per share.

On resignation, the employee will forfeit any unvested shares. On death or retirement only a portion of the shares will vest, calculated based on the number of days worked over the total vesting period, subject to any performance condition being met.

The scheme is settled in shares and therefore the scheme is equity-settled. In jurisdictions where the delivery of shares is impractical, cash will be paid to employees in lieu of shares. These shares are cash-settled share-based payments.

Fair value estimates

Equity-settled

In terms of IFRS 2, the transaction is measured at fair value of the equity instruments at the grant date. The fair value takes into account that the employees are entitled to the dividends from grant date. The fair value of the equity-settled shares subject to non-market conditions is the closing share price at grant date. The estimated fair value of the equity-settled shares subject to market conditions were calculated at grant date using a Monte Carlo simulation model with the following inputs:

Date of grant	29 March 2017	30 March 2016
Non-market conditions		
Number of shares granted	**653 703**	1 127 837
Share price at grant date (R)	**120.00**	77.80
Estimated fair value per share at grant date (R)	**120.00**	77.80
Market conditions		
Number of shares granted	**69 862**	110 403
Share price at grant date (R)	**120.00**	77.80
Expected volatility (%)	**30.0**	28.7
Expected dividend yield (%)	**3.0**	3.5
Risk free rate (%)	**7.6**	8.2
Estimated fair value per share at grant date (R)	**100.46**	41.98

Cash-settled

In terms of IFRS 2, liabilities relating to cash-settled share-based payments are adjusted to fair value at financial position date. The estimated fair value of the cash-settled shares was calculated by using the closing share price at the reporting date, risk-free rate at reporting date and discounting future expected dividends.

Date of grant	30 January 2018	29 March 2017	30 March 2016
Number of cash-settled shares granted	**608 280**	97 800	169 150
Share price at grant date (R)	**171.30**	120.00	77.80
Risk-free rate (%)	**7.7**	7.4	7.2
Estimated fair value per cash-settled share at grant date (R)	**168.65**	116.82	74.93
Estimated fair value per cash-settled share at year end (R)	**122.36**	127.64	131.85

Notes to the consolidated annual financial statements continued

for the year ended 30 September

32. SHARE INCENTIVE SCHEMES AND SHARE-BASED PAYMENTS continued

32.3 Share appreciation rights scheme

During 2007 the group introduced the Barloworld Cash Settled Share Appreciation Right Scheme.

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. During 2011, the scheme rules were amended to change all future awards to be equity-settled in shares.

The objective of the scheme is to recognise the contributions of senior staff to the group's financial position and performance and to retain key employees.

The vesting of the rights are subject to specific performance conditions, based on group headline earnings per share. Rights are granted for a period of six years and vest one-third after three years from grant date, a further one-third after four years and the final third after five years.

The grant price of these appreciation rights equals the volume weighted average market price of the underlying shares on the three trading days immediately preceding grant date.

On resignation, share appreciation rights which have not yet vested and those vested but not exercised, are forfeited. On death or retirement the Barloworld remuneration committee may permit a portion of unvested rights to be exercised within one year (or such extended period as the committee may decide) of the date of cessation of employment.

It is group policy that employees should not deal in Barloworld Limited shares (and this is extended to the forfeitable share plan, share appreciation rights and share option schemes) for the periods from 1 April for half year end and 1 October for year end until 24 hours after publication of the results and at any other time during which they have access to price-sensitive information.

Cash-settled and equity-settled share appreciation rights: Fair value estimates

In terms of IFRS 2, the transaction is measured at fair value of the equity instruments at the grant date.

In terms of IFRS 2, liabilities relating to cash-settled share-based payments are adjusted to fair value at financial position date.

The estimated fair value of the share appreciation rights was calculated using a binomial pricing model, with inputs as set out below.

	Cash-settled	Equity-settled				
Date of grant	**30 January 2018**	29 March 2017	30 March 2016	30 March 2015	18 March 2014	19 March 2013
Number of share appreciation rights granted	**347 540**	150 300	330 240	3 026 700	2 264 560	2 562 990
Grant price (R)	**177.71**	121.53	72.77	90.77	106.82	90.73
Share price at grant date (R)	**171.30**	120.00	77.80	90.50	107.32	90.50
Expected volatility (%)	**39.4**	30.0	28.7	28.7	35.1	36.2
Expected dividend yield (%)	**3.3**	2.9	4.4	3.5	2.7	3.3
Risk-free rate (%)	**8.6**	7.9	8.6	7.4	8.1	6.3
Exercise multiple (share price at exercise date/option exercise price)	**1.8**	1.8	1.9	1.9	1.9	1.9
Estimated fair value per share appreciation right at grant date (R)	**50.41**	38.89	24.06	26.59	39.71	30.04
Estimated fair value per cash-settled share at year end (R)	**30.33**					

Notes to the consolidated annual financial statements continued

for the year ended 30 September

32. SHARE INCENTIVE SCHEMES AND SHARE-BASED PAYMENTS continued

32.4 Total forfeitable shares and appreciation rights unexercised

The following forfeitable shares and share appreciation rights granted are unexercised:

					Number of options/rights		
Date of grant	Date from which exercisable	Expiry date	Contractual life remaining (years)	Original exercise price (R)	Barloworld directors	Barloworld employees#	Total unexercised**
28 Feb 2011	27 Feb 2014	27 Feb 2017	(1.6)	70.83			
30 Mar 2012	29 Mar 2015	29 Mar 2018	(0.5)	96.48			
19 Mar 2013	18 Mar 2016	18 Mar 2019	0.5	90.73	42 014	596 254	638 268
18 Mar 2014	17 Mar 2017	17 Mar 2020	1.5	106.82			
30 Mar 2015	29 Mar 2018	29 Mar 2021	2.5	90.77			
30 Mar 2016	29 Mar 2019	29 Mar 2022	3.5	72.77	120 380	209 860	330 240
29 Mar 2017	29 Mar 2020	29 Mar 2023	4.5	121.53	85 920	64 380	150 300
Total equity-settled share appreciation rights granted and unexercised					248 314	870 494	1 118 808
30 Jan 2018	30 Jan 2021	30 Jan 2024	5.3		137 540	210 000	347 540
Total cash-settled share appreciation rights granted and unexercised					137 540	210 000	347 540
18 Mar 2014	17 Mar 2017	17 Mar 2017	(1.5)				
30 Mar 2015	30 Mar 2018	30 Mar 2018	(0.5)				
30 Mar 2016	30 Mar 2019	30 Mar 2019	0.5		85 000	810 459	895 459
29 Mar 2017	29 Mar 2020	29 Mar 2020	1.5		59 440	581 462	640 902
Total equity-settled forfeitable shares granted and unexercised					144 440	1 391 921	1 536 361
18 Mar 2014	17 Mar 2017	17 Mar 2017	(1.5)				
30 Mar 2015	30 Mar 2018	30 Mar 2018	(0.5)				
30 Mar 2016	30 Mar 2019	30 Mar 2019	0.5			87 946	87 946
29 Mar 2017	29 Mar 2020	29 Mar 2020	1.5			67 560	67 560
30 Jan 2018	30 Jan 2021	30 Jan 2021	2.3		21 910	586 370	608 280
Total cash-settled forfeitable shares granted and unexercised					21 910	741 876	763 786
Total unexercised					552 204	3 214 291	3 766 495

The weighted average share price at the date of exercising share appreciation rights during the period was R132.74 (2017: R116.09).

*** Scheme rules dictate that the number of unexercised options may not exceed 10% of the total number of issued shares of the company at any time.*

 # The unexercised share options granted to retired directors and employees are included in this column.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

32. SHARE INCENTIVE SCHEMES AND SHARE-BASED PAYMENTS continued

32.4 Total forfeitable shares and appreciation rights unexercised continued

Share options and appreciation rights movement for the year	Number of forfeitable shares	Number of appreciation rights	Weighted average exercise price (R)*
2018			
Unexercised at beginning of year	**2 136 661**	**4 922 514**	**87.44**
Rights granted in terms of cash-settled share appreciation rights scheme		**347 540**	**177.71**
Forfeitable shares granted	**608 280**		
Forfeitable shares forfeited	**(174 882)**		
Forfeitable shares vested	**(269 912)**		
Appreciation rights forfeited		**(2 613 590)**	**90.83**
Appreciation rights exercised		**(1 190 116)**	**93.34**
Forfeitable shares, options and appreciation rights unexercised at year end	**2 300 147**	**1 466 348**	**73.24**
Appreciation rights exercisable at year end		**(638 268)**	**90.73**
Held by:			
Directors, employees and ex-employees of Barloworld	**2 300 147**	**1 466 348**	**73.24**
2017			
Unexercised at beginning of year	1 899 164	9 869 557	92.40
Rights granted in terms of equity-settled share appreciation rights scheme		150 300	121.53
Forfeitable shares granted	821 365		
Forfeitable shares forfeited	(383 122)		
Forfeitable shares vested	(200 746)		
Appreciation rights forfeited		(2 247 950)	104.85
Appreciation rights exercised		(2 849 393)	86.28
Forfeitable shares, options and appreciation rights unexercised at year end	2 136 661	4 922 514	87.44
Appreciation rights exercisable at year end		1 154 411	93.55
Held by:			
Directors, employees and ex-employees of Barloworld	2 136 661	4 922 514	87.44

** Weighted average exercise price for appreciation rights.*

Notes to the consolidated annual financial statements continued

for the year ended 30 September

33. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

33.1 New standards and interpretations adopted

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The basis is consistent with the prior year. No new amended standards or new interpretations were adopted.

33.2 New standards and interpretations not yet adopted

The following standards and interpretations are not yet effective and will be adopted in future years:

IFRS 9 *Financial Instruments* (November 2009, October 2010 and December 2011, November 2013 and July 2014)

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard includes requirements for recognition and measurement, impairment, derecognition and hedge accounting.

Classification and measurement of financial assets and liabilities

Due to the change in classification principles such as the nature of cash flows (Solely Payment of Principal and Interest (SPPI)) as well as the impact of classification based on the business model, the classification and therefore measurement of certain financial assets will change. This mostly refers to equity investments in unquoted instruments that were previously recognised at cost (allowable under IAS 39) which will now be recognised at fair value (according to IFRS 9). Due to the volatility of the movements on such instruments the accounting policy election will be made to recognise these instruments at fair value through other comprehensive income.

Impairment of financial assets

IFRS 9 requires that impairments be recognised for all amortised cost financial assets, contract assets and finance lease receivables based on an expected credit loss (ECL) model. This is a fundamental change to IAS 39 which is based on an incurred loss model. Based on our preliminary assessment we do not anticipate a material impact on the current allowance for doubtful receivables. Some of the factors considered to determine the impact of future events on ECL include reputation, operating environment, industry, regulatory environment and changes in performance/behaviour which would indicate increased credit risk.

Disclosure

There will be a significant shift of focus in terms of disclosure with more transparency of the expected credit losses with a clear distinction of credit impaired and not credit impaired debtors with a high credit risk based on past, present and future events.

We do not anticipate any material impacts to any other disclosures such as financial instruments after considering amendments to IFRS 7 including additional disclosures on the application of IFRS 9. IFRS 9 will be effective for Barloworld for the first time in the year ended 30 September 2019.

IFRS 15 *Revenue from Contracts with Customers* (May 2014) and Clarification of IFRS 15 (April 2016)

IFRS 15 specifies how and when an entity will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers.

Within Barloworld, five major revenue streams have been identified as follows:
- Sale of goods
- Rendering of services
- Finance insurance (commission)
- Finance business (finance and operating lease income)
- Rental received

Disclosure

We have completed an initial impact analysis which indicates that the adoption of IFRS 15 will have a less than 1% impact on the group's revenue. Therefore the group has elected not to restate comparative figures. Any adjustments at the date of transition will be recognised in opening retained earnings and other reserves as at 1 October 2018.

IFRS 15 also includes a cohesive set of disclosure requirements that would result in Barloworld providing users of the financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

IFRS 15 will be effective for Barloworld for the first time in the year ended 30 September 2019.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

33. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES continued

33.2 New standards and interpretations not yet adopted continued

IFRS 16 – *Leases* (January 2016)

IFRS 16 replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet).

IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use' asset for virtually all lease contracts. The IASB has included an optional exception of certain short-term leases and leases of low-value assets. There are no fundamental changes to the accounting for lessor accounting.

The application of IFRS 16 is expected to have a significant impact on the group's financial statements, particularly in relation to the recognition of 'right-of-use' assets and lease liabilities that were previously treated as operating leases (refer to the current IAS 17 disclosure of operating leases in note 28). In contrast, the impact on the group's accounting for finance leases is not expected to be significantly impacted (refer to the current IAS 17 disclosure of finance leases in notes 14 and 18). While a project to fully assess the impact of IFRS 16 is under way it is not practicable to provide a reasonable and reliable estimate of the financial impact at this stage.

IFRS 16 will be effective for Barloworld for the first time in the year ended 30 September 2020.

IFRS 17 – *Insurance Contracts* (May 2017)

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

The standard outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach.

The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and impact of the policy holders' options and guarantees.

Profit from selling insurance contracts is deferred in a separate liability component on day one and aggregated in groups of insurance contracts. It is reported systematically through profit and loss over the period during which the insurers provide cover after making adjustments from changes in assumptions relating to future coverage.

Certain transactions as part of Equipment's maintenance contracts and full maintenance lease contracts sold by Automotive are entered into by the group as insurer which falls within the definition of insurance contracts per IFRS 4 Insurance Contracts.

A project to fully assess the impact of IFRS 17 will be launched shortly; therefore it is not practicable to provide a reasonable and reliable estimate of the financial impact at this stage.

IFRS 17 will be effective for Barloworld for the first time in the year ended 30 September 2022.

The following new and amended standards are expected to have no or minimal impact on presentation, recognition and measurement:

- Clarification and Measurement of Share-Based Payments Transactions amendments to IFRS 2 (June 2016), effective 2019 financial year
- Amendments to IAS 28 (October 2017), Long-term Interests in Associates and Joint Ventures, effective 2020 financial year
- Amendments to IAS 19) (February 2018), Plan Amendment, Curtailment or Settlement, effective 2020 financial year
- IFRIC 23, Uncertainty over Income Tax Treatments, effective 2020 financial year
- Annual Improvements to IFRS Standards 2015-2017 Cycle (December 2017), Annual Improvements to IFRS: 2015-2017 Cycle – IFRS 3, IFRS 11, IAS 12 and IAS 23 Amendments, effective 2020 financial year

Notes to the consolidated annual financial statements continued

for the year ended 30 September

34. DIRECTORS' REMUNERATION AND INTERESTS

Directors' remuneration

The group remuneration philosophy and basis for determining performance bonuses is set out in the remuneration report contained in the integrated report. Other benefits determined below include share purchase trust loans, expatriate benefits, retention payments, redundancy and termination payments and any other non-pensionable allowances or fringe benefits.

The directors' and prescribed officers' remuneration for the year ended 30 September 2018 was as follows:

	Salary	Retirement and medical contributions	Car benefit	Other benefits	Bonus	Total 2018
	R000	R000	R000	R000	R000	R000
2018						
Executive directors						
Residents						
DG Wilson	4 655	1 187	272	3	4 756	10 873
DM Sewela	8 537	1 301	284	3	10 787	20 912
Total executive directors	13 192	2 488	556	6	15 543	31 785
Prescribed officers						
E Leeka**	4 224	692	469	1 369	2 897	9 651
PK Rankin**	4 278	805	161	1 375	3 929	10 548
Total prescribed officers	8 502	1 497	630	2 744	6 826	20 199
Grand total	21 694	3 985	1 186	2 750	22 369	51 984

*** Other benefits relate to retention bonuses.*

	Total fees 2018
	R000
Non-executive directors	
Residents	
NP Dongwana	1 082
HH Hickey	732
SS Mkhabela	634
NP Mnxasana	516
SS Ntsaluba	1 042
DB Ntsebeza	2 465
IO Shongwe	665
Non-residents	
FNO Edozien	1 225
MD Lynch-Bell	1 423
P Schmid	1 716
Total non-executive directors	11 500
Total directors' and prescribed officers' remuneration	63 484

Notes to the consolidated annual financial statements continued

for the year ended 30 September

34. DIRECTORS' REMUNERATION AND INTERESTS continued

Directors' remuneration continued

	Salary	Retirement and medical contributions	Car benefit	Other benefits	Bonus	Total 2017
	R000	R000	R000	R000	R000	R000
2017						
Executive directors						
Residents						
PJ Bulterman (retired 8 February 2017)	2 316	383	90	1	5 154	7 944
CB Thomson (resigned 8 February 2017)*	3 490	703	95	32 847	5 852	42 987
DG Wilson	4 239	1 056	246	2	3 605	9 148
DM Sewela	7 121	1 096	268	3	7 079	15 567
Non-resident						
PJ Blackbeard (resigned 31 April 2017)*	4 071	674	154	14 817		19 716
Total executive directors	21 237	3 912	853	47 670	21 690	95 362
Prescribed officers						
E Leeka**	3 548	621	430	1 369	3 527	9 495
PK Rankin**	4 020	756	161	1 369	3 879	10 185
PJ Bulterman (retired 8 February 2017)	2 942	477	161	2		3 582
Total prescribed officers	10 510	1 854	752	2 740	7 406	23 262
Grand total	31 747	5 766	1 605	50 410	29 096	118 624

* *Other benefits relate to leave payouts.*
** *Other benefits relate to retention bonuses.*

	Total fees 2017
	R000
Non-executive directors	
Residents	
NP Dongwana	700
HH Hickey (appointed 1 April 2017)	193
SS Mkhabela	568
B Ngonyama	449
SS Ntsaluba	906
DB Ntsebeza	2 062
IO Shongwe	615
Non-residents	
FNO Edozien	1 090
MD Lynch-Bell (appointed 1 April 2017)	588
P Schmid (appointed 1 April 2017)	576
SB Pfeiffer (retired 8 February 2017)	523
Total non-executive directors	8 270
Total directors' and prescribed officers' remuneration	126 894

Notes to the consolidated annual financial statements continued

for the year ended 30 September

34. DIRECTORS' REMUNERATION AND INTERESTS continued

Directors' remuneration continued

Interest of directors and prescribed officers of the company in share capital

The aggregate beneficial holdings as at 30 September 2018 of the directors and prescribed officers of the company and their immediate families (none of which has a holding in excess of 1%) in the issued ordinary shares of the company are detailed below. There have been no material changes in these shareholdings since that date.

	Number of shares at 30 September					
	2018 Forfeitable	**2018 Direct**	**2018 Indirect**	2017 Forfeitable	2017 Direct	2017 Indirect
Executive directors						
PJ Blackbeard (resigned 31 April 2017)				25 148		
PJ Bulterman (retired 8 February 2017)				31 600		
DM Sewela	**127 500**	**18 442**	**7 953**	137 190	6 549	
CB Thomson (resigned 8 February 2017)				60 761		
DG Wilson	**38 850**	**124 197**		70 450	103 973	
Total executive directors	**166 350**	**142 639**	**7 953**	325 149	110 522	103
Non-executive directors						
SS Mkhabela		**37 430**			37 430	
SS Ntsaluba		**3 370**			3 370	
DB Ntsebeza		**44 364**			44 364	
SB Pfeiffer					10 000	
IO Shongwe		**89 277**	**3 184**		89 277	570
Total non-executive directors		**174 441**	**3 184**		184 441	570
Prescribed officers						
E Leeka	**57 810**	**6 262**		53 400	1 872	
PK Rankin	**64 490**	**26 316**		80 320	10 550	
Total prescribed officers	**122 300**	**32 578**		133 720	12 422	
Grand total	**288 650**	**349 658**	**11 137**	458 869	307 385	673

Notes to the consolidated annual financial statements continued

for the year ended 30 September

34. DIRECTORS' REMUNERATION AND INTERESTS continued

Interest of directors and prescribed officers of the company in share options, share appreciation rights and forfeitable shares

The interests of the executive directors and prescribed officers in shares of the company provided in the form of options, share appreciation rights and forfeitable shares are shown in the table below:

	Award date	Number allocated in prior years	Number allocated in current year	Number exercised (options and SAR)/ vested (FSP)/ lapsed in current year	Closing number	Exercise price	Price on exercise date (options and SAR)/ vesting price (FSP)	Exercise or exercisable (options and SAR)/ vesting date (FSP)
Executive directors								
DM Sewela								
Share appreciation rights								
	2012	6 530		6 530		96.48	168.00	27 Mar 18
	2013	10 504			10 504	90.73		18 Mar 18
	2014	35 060		35 060		106.82	Lapsed	17 Mar 17
	2015	50 340		50 340		90.77	Lapsed	29 Mar 18
	2016	65 350			65 350	72.77		29 Mar 19
	2017	85 920			85 920	121.53		28 Mar 20
	2018		137 540		137 540	177.71		29 Jan 21
FSP – no performance conditions								
	2015	7 900		7 900		n/a	162.70	17 Mar 18
	2016	11 540			11 540	n/a		29 Mar 19
	2017	14 860			14 860	n/a		29 Mar 20
	2018		5 480		5 480	n/a		29 Jan 21
FSP – with performance conditions								
	2015	23 700		11 376		n/a	Lapsed	29 Mar 18
	2015			12 324		n/a	162.70	29 Mar 18
	2016	34 610			34 610	n/a		29 Mar 19
	2017	44 580			44 580	n/a		28 Mar 20
	2018		16 430		16 430	n/a		29 Jan 21
DG Wilson								
Share appreciation rights								
	2013	14 614		14 614		90.73	162.70	29 Mar 18
	2014	35 060		35 060		106.82	Lapsed	17 Mar 17
	2015	50 340		50 340		90.77	Lapsed	29 Mar 18
	2016	55 030			55 030	72.77		29 Mar 19
FSP – no performance conditions								
	2015	7 900		7 900		n/a	156.00	22 May 18
	2016	9 710			9 710	n/a		29 Mar 19
FSP – with performance conditions								
	2015	23 700		11 376		n/a	Lapsed	29 Mar 18
	2015			12 324		n/a	156.00	22 May 18
	2016	29 140			29 140	n/a		29 Mar 19

Notes to the consolidated annual financial statements continued

for the year ended 30 September

34. DIRECTORS' REMUNERATION AND INTERESTS continued

Interest of directors and prescribed officers of the company in share options, share appreciation rights and forfeitable shares continued

	Award date	Number allocated in prior years	Number allocated in current year	Number exercised (options and SAR)/ vested (FSP)/ lapsed in current year	Closing number	Exercise price	Price on exercise date (options and SAR)/ vesting price (FSP)	Exercise or exercisable (options and SAR)/ vesting date (FSP)
Prescribed officers								
E Leeka (appointed 1 October 2016)								
Share appreciation rights								
	2013	45 740			45 740	90.73		18 Mar 18
	2014	38 510		38 510		106.82	Lapsed	17 Mar 17
	2015	55 620		55 620		90.77	Lapsed	29 Mar 18
	2017	29 950			29 950	121.53		29 Mar 20
	2018		55 270		55 270	177.71		29 Jan 21
FSP – no performance conditions								
	2015	4 390		4 390		n/a	156.00	22 May 18
	2016	7 070			7 070	n/a		29 Mar 18
	2017	5 180			5 180			29 Mar 20
	2018		2 200		2 200	n/a		29 Jan 21
FSP – with performance conditions								
	2016	21 220			21 220	n/a		29 Mar 19
	2017	15 540			15 540	n/a		29 Mar 18
	2018		6 600		6 600	n/a		29 Mar 21

Notes to the consolidated annual financial statements continued

for the year ended 30 September

34. DIRECTORS' REMUNERATION AND INTERESTS continued

Interest of directors and prescribed officers of the company in share options, share appreciation rights and forfeitable shares continued

	Award date	Number allocated in prior years	Number allocated in current year	Number exercised (options and SAR)/ vested (FSP)/ lapsed in current year	Closing number	Exercise price	Price on exercise date (options and SAR)/ vesting price (FSP)	Exercise or exercisable (options and SAR)/ vesting date (FSP)
PK Rankin								
Share appreciation rights								
	2013	26 174		26 174		90.73	148.41	24 May 18
	2014	33 210		33 210		106.82	Lapsed	17 Mar 17
	2015	39 220		39 220		90.77	Lapsed	29 Mar 18
	2016	45 150			45 150	72.77		29 Mar 19
	2017	34 430			34 430	121.53		29 Mar 20
	2018		55 270		55 270	177.71		29 Jan 21
FSP – no performance conditions								
	2015	6 160		6 160		n/a	156.00	22 May 18
	2016	7 970			7 970	n/a		29 Mar 18
	2017	5 950			5 950	n/a		29 Mar 20
	2018		2 200		2 200	n/a		29 Jan 21
FSP – with performance conditions								
	2015	18 470		18 470		n/a	156.00	29 Mar 18
	2016	23 910			23 910	n/a		29 Mar 19
	2017	17 860			17 860	n/a		29 Mar 20
	2018		6 600		6 600	n/a		29 Jan 21
Non-executive director								
IO Shongwe								
Share appreciation rights								
	2012	26 000		26 000		96.48	172.00	27 Mar 18
	2013	31 510			31 510	90.73		18 Mar 18

The value at commencement date of the forfeitable shares awarded on 30 January 2018 was R171 per share.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

35. PRINCIPAL SUBSIDIARY COMPANIES

	Issued capital		
	Type	Currency	Local currency amount
Avis Southern Africa Limited	H	ZAR	17 903 911
Barloworld Botswana (Pty) Ltd[2]	H	BWP	35 329 536
Barloworld Capital (Pty) Ltd	O	ZAR	30 000 000
Barloworld Equipment (Pty) Ltd	O	ZAR	2
Barloworld Equipment UK Ltd[1]	O	GBP	4 500 000
Vostochnaya Technica UK[1]	O	GBP	34 500 000
Barloworld Holdings Limited[1]	H	GBP	228 301 000
Barloworld Insurance Limited[1]	O	GBP	4 100 000
Barloworld Investments (Pty) Ltd	H	ZAR	900
Barloworld Logistics Africa (Pty) Ltd	O	ZAR	2 859 920
Barloworld South Africa (Pty) Ltd	O	ZAR	765 424
Barloworld Investments Namibia (Pty) Ltd[3]	H	NAD	1 450 000
Zeda Car Leasing (Pty) Ltd t/a Avis Fleet Services	O	ZAR	100
Barloworld Siyakhula (Pty) Ltd	O	ZAR	25 000 100
Other subsidiaries*			

All companies are incorporated in (or operate principally in) the Republic of South Africa except where otherwise indicated as follows:
[1] United Kingdom
[2] Botswana
[3] Namibia

Keys to type of subsidiary
H – Holding companies
O – Operating companies

Any material changes which have taken place during the year are dealt with in the appropriate operational reviews.

** A full list of subsidiaries and a list of the special resolutions of those companies are available to the shareholders, on request, from the registered office of the company.*

Notes to the consolidated annual financial statements continued

for the year ended 30 September

Interest of holding company							
Effective percentage holdings		Shares		Indebtedness		Amounts owing to subsidiaries	
2018 %	2017 %	**2018 Rm**	2017 Rm	**2018 Rm**	2017 Rm	**2018 Rm**	2017 Rm
100	100	**106**	106	**91**	91		
100	100						
100	100	**30**	30				
100	100						
100	100						
100	100						
100	100						
100	100	**63**	63				
100	100	**108**	108	**3 626**	3 626		
100	100						
100	100	**2 152**	2 152	**7 457**	7 780	**123**	120
100	100	**4**	4				
100	100			**2 431**	2 431		
100	100						
		187	187	**434**	434	**45**	45
		2 650	2 650	**14 039**	14 362	**168**	165

Notes to the consolidated annual financial statements continued

for the year ended 30 September

36. RELATED-PARTY TRANSACTIONS

Various transactions are entered into by the company and its subsidiaries during the year with related parties. Unless specifically disclosed these transactions occurred under terms that are no less favourable than those entered into with third parties. Intra-group transactions are eliminated on consolidation.

The following is a summary of other transactions with related parties during the year and balances due at year end:

	Associates of the group Rm	Joint ventures in which the group is a venture Rm
2018		
Goods and services sold to		
Bartrac Equipment Limited		**74**
Barloworld Maponya Proprietary Limited		**62**
BHBW South Africa Proprietary Limited		**79**
Barzem Enterprises Private Limited	**112**	
	112	**215**
Trade and other receivables/(payables)		
BHBW South Africa Proprietary Limited		**29**
		29
Amounts due from related parties as at end of year		
Barzem Enterprises Private Limited	**11**	
	11	
2017		
Goods and services sold to		
BHBW South Africa Proprietary Limited		219
Barloworld Maponya Proprietary Limited		18
Barzem Enterprises Private Limited	20	
Bartrac Equipment Limited		13
	20	250
Goods and services purchased from		
Barloworld Maponya Proprietary Limited		(6)
BHBW South Africa Proprietary Limited		(14)
		(20)
Other transactions		
Barloworld Maponya Proprietary Limited		1
Bartrac Equipment Limited		12
BHBW South Africa Proprietary Limited		1
		14
Amounts due (to)/from related parties as at end of year		
Bartrac Equipment Limited		1
Barzem Enterprises Private Limited	(1)	
BHBW South Africa Proprietary Limited		4
Sizwe Car Rental Proprietary Limited	(2)	
	(3)	5

Notes to the consolidated annual financial statements continued

for the year ended 30 September

36. RELATED-PARTY TRANSACTIONS continued

Terms on other outstanding balances

Unless otherwise noted, all outstanding balances are payable within 30 days, unsecured and not guaranteed.

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.

Associates and joint ventures

The loans to associates and joint ventures are repayable on demand and bear interest at market-related rates.

Details of investments in associates and joint ventures are disclosed in note 13.

Subsidiaries

Details of investments in subsidiaries are disclosed in note 35.

Directors

Details regarding directors' remuneration and interests are disclosed in note 34, share options, share appreciation rights and forfeitable shares are disclosed in note 32.

Transactions with key management and other related parties (including directors and prescribed officers)

During the year, the Automotive trading segment sold motor vehicles to the value of R3.4 million (2017: R5.6 million) to key management, prescribed officers or close family members of related parties.

Shareholders

The principal shareholders of the company are disclosed on page 119 of the integrated report.

Barloworld Medical Scheme

Contributions of R181 million were made to the Barloworld Medical Scheme on behalf of employees (2017: R161 million).

Barloworld Pension Fund

Amounts recognised in the income statement in respect of defined benefit plans was a net expense of R70 million (2017: R76 million net expense).

37. EVENTS AFTER THE REPORTING PERIOD

On 15 November 2018 the board approved a proposed B-BBEE transaction to be known as Khula Sizwe. This proposed transaction seeks to have participation from our employees, management and the general public in South Africa. The proposed transaction is subject to the approval by shareholders and will be voted on at the annual general meeting scheduled for February 2019.

Company statement of comprehensive income

for the year ended 30 September

	Notes	2018 Rm	2017 Rm
Revenue		**672**	665
Dividends from subsidiaries		**440**	391
Rental revenue		**151**	149
Interest revenue		**663**	697
Finance costs		**(582)**	(572)
Operating profit	2	**602**	611
Profit before non-operating and capital items		**602**	611
Profit before taxation		**602**	611
Taxation	3	**(51)**	(63)
Profit after taxation		**551**	548
Other comprehensive income			
Total comprehensive income for the year		**551**	548

Company statement of financial position

at 30 September

	Notes	2018 Rm	2017 Rm
ASSETS			
Non-current assets		**7 075**	8 442
Plant and equipment	4	**4**	5
Investment property	5	**632**	737
Intangible assets	6	**3**	5
Long-term financial assets	7	**2 669**	2 655
Amounts owing from subsidiaries	8	**3 767**	5 040
Current assets		**10 275**	9 324
Amounts owing from subsidiaries	8	**10 273**	9 322
Trade and other receivables		**2**	2
Assets classified as held for sale	10	**93**	
Total assets		**17 443**	17 766
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	11	**286**	286
Other reserves		**168**	168
Retained income		**10 590**	10 911
Interest of shareholders of Barloworld Limited		**11 044**	11 365
Non-current liabilities		**3 780**	5 055
Deferred taxation liability	9	**13**	15
Interest-bearing liabilities	12	**3 767**	5 040
Current liabilities		**2 619**	1 346
Amounts due to subsidiaries	8	**168**	165
Trade and other payables		**3**	16
Amounts due to bankers and short-term loans	13	**2 448**	1 165
Total equity and liabilities		**17 443**	17 766

Company statement of changes in equity

for the year ended 30 September

	Notes	Share capital and premium Rm	Revaluation reserve Rm	Equity compensation reserve* Rm	Total other reserves Rm	Total retained income Rm	Total shareholders' interest Rm
Balance at 30 September 2016		286	3	165	168	11 118	11 572
Total comprehensive income for the year						548	548
Dividends on ordinary shares	16					(755)	(755)
Balance at 30 September 2017		286	3	165	168	10 911	11 365
Total comprehensive income for the year						**551**	**551**
Dividends on ordinary shares	16					**(872)**	**(872)**
Balance at 30 September 2018		**286**	**3**	**165**	**168**	**10 590**	**11 044**

** The equity compensation reserve relates to the IFRS 2 charge for the 2008 BEE transaction.*

Company statement of cash flows

for the year ended 30 September

	Notes	2018 Rm	2017 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	**80**	97
Dividends received from investments (excluding withholding tax)		**440**	391
Net interest revenue		**81**	125
Taxation paid	B	**(51)**	(60)
Cash flow from operations		**550**	553
Dividends paid		**(872)**	(755)
Cash outflows from operating activities		**(322)**	(202)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment property		**(1)**	(3)
Acquisition of plant and equipment			(6)
Other disposals/transfers to group		**4**	
Movement in loans from/(to) subsidiaries		**312**	(267)
Net cash inflow/(outflow) from investing activities		**315**	(276)
Net cash outflow before financing activities		**(7)**	(478)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		**399**	1 582
Repayment of borrowings		**(1 675)**	(922)
Increase/(decrease) in short-term interest-bearing liabilities		**1 283**	(182)
Net cash inflow from financing activities		**7**	478
Net movement in cash and cash equivalents			
Cash equivalents at beginning of year			
Cash and cash equivalents at end of year			

Notes to the company statement of cash flows

for the year ended 30 September

		2018 Rm	2017 Rm
A.	**CASH GENERATED FROM OPERATIONS IS CALCULATED AS FOLLOWS:**		
	Profit before taxation	**602**	611
	Adjustments for:		
	Depreciation	**10**	9
	Amortisation of intangible assets	**2**	2
	Dividends received	**(440)**	(391)
	Interest received	**(663)**	(697)
	Finance costs	**582**	572
	Operating cash flows before movements in working capital	**93**	106
	Decrease in payables	**(13)**	(9)
	Cash generated from operations	**80**	97
B.	**TAXATION PAID IS RECONCILED TO AMOUNTS DISCLOSED IN THE INCOME STATEMENT AS FOLLOWS:**		
	Amounts overpaid at beginning of year		(2)
	Per the statement of comprehensive income (excluding foreign taxation)	**(51)**	(58)
	Cash amounts paid	**(51)**	(60)

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.

Notes to the company financial statements continued

for the year ended 30 September

		2018 Rm	2017 Rm
2.	**OPERATING PROFIT**		
	Operating profit is arrived at as follows:		
	Revenue	**672**	665
	Less: Net expense	**(70)**	(54)
	Administrative costs	**(70)**	(54)
	Operating profit	**602**	611
	Administrative costs include the following:		
	Depreciation (notes 4 and 5)	**10**	9
	Amortisation of intangible assets (note 6)	**2**	2
	Administration, management and technical fees paid	**4**	3
	Auditors' remuneration	**3**	1
	Audit fees	**3**	1

		2018 Rm	2017 Rm
3.	**TAXATION**		
	Foreign and withholding taxation	**(3)**	(2)
	Current year	**(49)**	(63)
	Prior year		5
		(52)	(60)
	Deferred taxation		
	Current year	**1**	(3)
	Taxation attributable to the company	**(51)**	(63)

	2018 %	2017 %
Reconciliation of rate of taxation:		
South Africa normal taxation rate	**28.0**	28.0
Reduction in rate of taxation	**(20.5)**	(17.9)
Adjustment due to exemption for dividend income	**(20.5)**	(17.9)
Taxation on unprovided temporary differences		
Increase in the rate of taxation	**1.6**	0.2
Disallowable charges*	**1.0**	0.7
Prior year		(0.8)
Withholding taxation	**0.6**	0.3
Taxation as a percentage of profit before taxation	**9.1**	10.3

** Disallowable charges include depreciation, interest paid to SARS, consulting fees and other expenses attributable to non-taxable income.*

Notes to the company financial statements continued

for the year ended 30 September

	Cost Rm	Accumulated depreciation Rm	Net book value Rm
4. PLANT AND EQUIPMENT			
2018			
Equipment and furniture	**24**	**20**	**4**
	24	**20**	**4**
2017			
Equipment and furniture	24	19	5
	24	19	5

There are no assets encumbered.

	Equipment and furniture Rm
Movement of net book value of plant and equipment	
2018	
Net balance at 1 October 2017	**5**
Additions	
	5
Depreciation	**(1)**
Net balance at 30 September 2018	**4**

Notes to the company financial statements continued

for the year ended 30 September

	Cost Rm	Accumulated depreciation Rm	Net book value Rm
5. INVESTMENT PROPERTY			
2018			
Freehold land and buildings	**729**	**97**	**632**
	729	**97**	**632**
2017			
Freehold land and buildings	845	108	737
	845	108	737

There are no assets encumbered.

	Freehold land and buildings Rm
Movement of net book value of investment property	
2018	
Net balance at 1 October 2017	**737**
Additions	**1**
Assets held for sale	**(93)**
Other disposals and reclassification	**(4)**
	641
Depreciation (note 2)	**(9)**
Net balance at 30 September 2018	**632**
2017	
Net balance at 1 October 2016	742
Additions	3
	745
Depreciation (note 2)	(8)
Net balance at 30 September 2017	737

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

2018

The fair value for the above freehold land and buildings as at 30 September 2018 amounted to R2 095 million as per the latest valuation (2017: R1 220 million).

The fair value measurement of the properties is considered a level 3 measurement in accordance with IFRS 13. The calculation of the fair values of the properties was based on the income approach method in which the estimated net annual rent for the forward period of 12 months is capitalised at an appropriate rate of interest to reflect the perceived risk in the investment. The average capitalisation rate applied in determining the properties fair value was 9.4%.

Notes to the company financial statements continued

for the year ended 30 September

		Trademarks Rm
6.	**INTANGIBLE ASSETS**	
	2018	
	Cost	
	At 1 October 2017	**37**
	At 30 September 2018	**37**
	Accumulated amortisation	
	At 1 October 2017	**32**
	Charge for the year (note 2)	**2**
	At 30 September 2018	**34**
	Carrying amount	
	At 30 September 2018	**3**
	2017	
	Cost	
	At 1 October 2016	37
	At 30 September 2017	37
	Accumulated amortisation	
	At 1 October 2016	30
	Charge for the year (note 2)	2
	At 30 September 2017	32
	Carrying amount	
	At 30 September 2017	5

		2018 Rm	2017 Rm
7.	**LONG-TERM FINANCIAL ASSETS**		
	Investment in subsidiaries	**2 655**	2 650
	Unlisted investments	**14**	5
		2 669	2 655
8.	**AMOUNTS DUE FROM/(TO) SUBSIDIARIES (NOTE 18)**		
	Long-term loans	**3 767**	5 040
	Short-term loans	**10 273**	9 322
	Amounts owing from subsidiaries*	**14 040**	14 362
	Amounts owing to subsidiaries**	**(168)**	(165)

* *The interest-bearing loans are payable on demand, with the interest rate calculated on the weighted average cost of external borrowings for Barloworld Treasury plus a margin of 0.25%.*

** *The R168 million owing to subsidiaries is made up of a R45 million interest-bearing loan from Barloworld South Africa (Pty) Ltd which is payable on demand, with the interest rate calculated on the weighted average cost of external borrowings for Barloworld Treasury plus a margin of 0.25%. The balance of R123 million includes various group equity loans which are interest free with no fixed repayment terms. Refer to note 18 for details.*

Notes to the company financial statements continued

for the year ended 30 September

		2018 Rm	2017 Rm
9.	**DEFERRED TAXATION LIABILITY**		
	Movement of deferred taxation		
	Balance at beginning of year	**(15)**	(12)
	Recognised in the statement of comprehensive income	**2**	(3)
	Balance at end of year	**(13)**	(15)
	Analysis of deferred taxation by type of temporary difference		
	Other temporary differences	**(15)**	(15)
		(15)	(15)
	Amount of deferred taxation recognised in the statement of comprehensive income		
	Other temporary differences	**2**	(3)
		2	(3)

10. ASSETS CLASSIFIED AS HELD FOR SALE

The net assets held for sale relate to the Barlow Park property owned by Barloworld Limited which is in the process of being sold into a consortium of investors with the aim of re-developing the site into a multi-use precinct.

	Freehold land and buildings Rm
Movement of net book value of investment property	
2018	
Investment property at cost	**113**
Depreciation	**(20)**
Net balance at 30 September 2018	**93**

		2018 Rm	2017 Rm
11.	**SHARE CAPITAL AND PREMIUM**		
	Authorised share capital		
	500 000 6% non-redeemable cumulative preference shares of R2 each (2017: 500 000)	**1**	1
	400 000 000 ordinary shares of 5 cents each (2017: 400 000 000)	**20**	20
		21	21
	Issued share capital		
	375 000 6% non-redeemable cumulative preference shares of R2 each (2017: 375 000)	**1**	1
	212 692 583 ordinary shares of 5 cents each (2017: 212 692 583)	**11**	11
		12	12
	Share premium:	**274**	274
	Total issued share capital and premium	**286**	286

Notes to the company financial statements continued

for the year ended 30 September

	2018 Rm	2017 Rm
12. INTEREST-BEARING LIABILITIES		
Total long-term borrowings	**5 440**	5 461
Less: Current portion redeemable and repayable within one year (note 13)	**(1 673)**	(421)
South African Rand: Interest-bearing	**3 767**	5 040

Barloworld bonds

Certificate	Issued	Maturity	Comparable treasury stock	Spread bps	Yield %	Type	2018 Rm	2017 Rm
BAW3	15 Sep 10	2 Oct 17	3-month JIBAR	260	9.95	Floating rate		334
BAW8	15 Sep 10	2 Oct 17	R203	234	9.94	Fixed rate (NACS)		91
BAW11	14 Jun 11	1 Oct 18	R204	156	9.80	Fixed rate (NACS)	**460**	460
BAW17	5 Dec 13	5 Dec 18	3-month JIBAR	148	8.49	Floating rate	**714**	714
BAW18	5 Dec 13	5 Dec 20	3-month JIBAR	170	8.71	Floating rate	**355**	355
BAW19	5 Dec 13	5 Dec 20	R208	167	9.56	Fixed rate (NACS)	**472**	472
BAW21	24 Mar 15	24 Mar 22	R208	210	9.30	Fixed rate (NACS)	**710**	710
BAW22	7 Dec 15	7 Dec 22	3-month JIBAR	200	9.01	Floating rate	**252**	253
BAW24	30 Sep 16	30 Sep 19	3-month JIBAR	185	8.85	Floating rate	**501**	501
BAW25	9 May 17	8 May 20	3-month JIBAR	180	8.78	Floating rate	**582**	582
BAW26U	11 May 17	11 May 21	3-month JIBAR	195	8.95	Floating rate	**250**	250
BAW27U	11 May 17	11 May 22	3-month JIBAR	210	9.10	Floating rate	**250**	250
BAW28	6 Jun 17	6 Jun 22	3-month JIBAR	205	9.06	Floating rate	**500**	500
BAW29	22 Feb 18	22 Feb 23	3-month JIBAR	180	8.82	Floating rate	**400**	
Fees capitalised							**(6)**	(11)
							5 440	5 461

	2018 Rm	2017 Rm
13. AMOUNTS DUE TO BANKERS AND SHORT-TERM LOANS		
Short-term loans*	**775**	744
Current portion of long-term loan	**1 673**	421
	2 448	1 165

** The short-term loans are made up of the interest accrual for the Barloworld bonds and commercial paper.*

	2018 Rm	2017 Rm
14. CONTINGENT LIABILITIES		
Guarantees for loans, overdrafts and liabilities of subsidiaries	**3 445**	4 233

Contingent liabilities include performance guarantees, suretyships and guarantees issued to bankers on behalf of subsidiaries, in respect of banking facilities to the extent that they are utilised.

Notes to the company financial statements continued

for the year ended 30 September

15. 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.

	Notes	2018 Rm	2017 Rm
15.1 Summary of financial assets			
Carrying value:			
Loans and receivables		**14 042**	14 364
Fair value:			
Loans and receivables		**14 042**	14 364
Summary financial liabilities			
Carrying value:			
Financial liabilities measured at amortised cost		**3**	16
Interest-bearing loans	12,13	**6 215**	6 205
Amounts due to subsidiaries	8	**168**	165
Fair value:			
Financial liabilities measured at fair value		**3**	16
Interest-bearing loans	12,13	**6 247**	6 267
Amounts due to subsidiaries	8	**168**	165

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. All financial assets and liabilities are categorised as loans and receivables.

15.2 Financial risk management

a. Capital risk management

The company manages its capital to ensure that the company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity. The overall strategy remains unchanged from the previous year.

The capital structure of the company consists of debt (refer notes 12 and 13) and equity attributable to equity holders of Barloworld Limited, comprising issued capital (note 12), reserves and retained earnings (statement of changes in equity).

A finance committee consisting of senior executives of the company meets on a regular basis to review the capital structure based on the cost of capital and the risks associated with each class of capital, analyse currency and interest rate exposure and to re-evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

b. Market risk

(i) Currency risk

The company is not exposed to any significant currency risk.

(ii) Interest rate risk

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.

Notes to the company financial statements continued

for the year ended 30 September

15. FINANCIAL INSTRUMENTS continued

15.2 Financial risk management continued

b. Market risk continued

(ii) Interest rate risk continued

	2018 Rm	2017 Rm
The interest rate profile of total borrowings is as follows:		
Interest rates		
Loans at fixed rates of interest	**3 767**	2 374
Loans linked to South African money market rates	**2 448**	3 831
	6 215	6 205

Interest rate sensitivity analysis

Refer to note 31 of the consolidated annual financial statements.

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

c. Credit risk

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

	2018 Rm	2017 Rm
Maximum exposure to credit risk (excluding collateral held)		
Financial assets	**14 042**	14 369

d. Liquidity risk

The company manages liquidity risk by monitoring forecast cash flows and maintaining a balance between long and short-term borrowings.

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):

		Repayable during the year ending 30 September		
	Total owing 2018	**2019**	**2020 – 2023**	**2024 and onwards**
Interest-bearing liabilities	**5 440**	**1 673**	**3 767**	

	Total owing 2017	2018	2019 – 2022	2023 and onwards
Interest-bearing liabilities	7 613	1 566	5 789	258

Notes to the company financial statements continued

for the year ended 30 September

	2018 Rm	2017 Rm
16. DIVIDENDS		
Ordinary shares		
Final dividend No 178 paid on 15 January 2018: 265 cents per share (2017: No 176 – 230 cents per share)	**564**	489
Interim dividend No 179 paid on 11 June 2018: 145 cents per share (2017: No 177 – 125 cents per share)	**308**	266
Paid to Barloworld Limited shareholders	**872**	755

On 19 November 2018 the directors declared dividend No 180 of 317 cents (gross) per share 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 20% (fifteen per centum)
- Barloworld has 212 692 583 ordinary shares in issue
- The gross local dividend amount is 317 cents per ordinary share
- The net dividend amount is 253.6 cents per share.

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

Date declared	Monday	19 November 2018
Last day to trade cum dividend	Tuesday	8 January 2019
Shares trade ex dividend	Wednesday	9 January 2019
Record date	Friday	11 January 2019
Payment date	Monday	14 January 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 9 January 2019 and Friday, 11 January 2019, both days inclusive.

Analysis of dividends declared in respect of current year's earnings:

	2018 Cents	2017 Cents
Ordinary dividends per share		
Interim dividend	**145**	125
Final dividend	**317**	265
	462	390

6% cumulative non-redeemable preference shares

Preference dividends totalling R22 500 were declared on each of the following dates:
1 October 2018 (paid on 5 November 2018)
3 April 2018 (paid on 8 May 2018)
6 October 2017 (paid on 6 November 2017)
3 April 2017 (paid on 8 May 2017)

Notes to the company financial statements continued

for the year ended 30 September

17. PRINCIPAL SUBSIDIARY COMPANIES

Please refer to note 35 of the consolidated annual financial statements.

18. RELATED-PARTY TRANSACTIONS

The following is a summary of transactions with related parties during the year and balances due at year end:

	2018 Rm	2017 Rm
With related parties of the company		
Rental revenue	151	147
Barloworld South Africa (Pty) Ltd	149	147
BHBW South Africa (Pty) Ltd	2	
Dividends from subsidiaries	440	391
Barloworld South Africa (Pty) Ltd		126
Barloworld Motor (Pty) Ltd	161	
Barloworld Insurance Ltd		5
Barloworld Investments (Pty) Ltd	228	237
Barloworld Equipment Lesotho (Pty) Ltd	51	23
Interest revenue from subsidiaries	663	697
Barloworld South Africa (Pty) Ltd	663	697
Inter-group loans and other amounts due from related parties as at end of year	14 040	14 362
Barloworld South Africa (Pty) Ltd	7 457	7 780
Barloworld Investments (Pty) Ltd	3 626	3 626
Zeda Car Leasing (Pty) Ltd	2 431	2 431
Avis Southern Africa Ltd	91	91
Other*	435	434
Inter-group loans and other amounts due to related parties as at end of year	168	165
Barloworld South Africa (Pty) Ltd	123	120
Other*	45	45

**Refer to note 35 of the consolidated annual financial statements for detail.*

Various transactions are entered into by the company and its subsidiaries during the year with related parties. Unless specifically disclosed these transactions occurred under terms that are no less favourable than those entered into with third parties.

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.

Details regarding directors' and key management remuneration and interest, share options, share appreciation rights and forfeitable shares are disclosed in note 34 of the consolidated annual financial statements.

19. EVENTS AFTER THE REPORTING PERIOD

To the knowledge of the directors no material events have occurred between the balance sheet date and the date of approval of these financial statements that would affect the ability of the users of the financial statements to make proper evaluations and decisions.

The consolidated financial statements are available on www.barloworld.com

Consolidated seven-year summary

for the year ended 30 September

	Compound annual growth %	2018 Rm	2017 Rm
INCOME STATEMENT			
Continuing operations			
Revenue	2.9%	**63 420**	61 959
Operating profit before items listed below (EBITDA)	6.7%	**6 978**	6 694
Depreciation		**(2 433)**	(2 468)
Amortisation of intangible assets		**(141)**	(144)
Operating profit		**4 404**	4 082
B-BBEE charge			
Operating profit including B-BBEE	7.6%	**4 404**	4 082
Fair value adjustments on financial instruments		**(133)**	(209)
Finance costs	5.6%	**(1 182)**	(1 329)
Income from investments		**147**	109
Profit before non-operating and capital items	9.1%	**3 236**	2 653
Non-operating and capital items		**(248)**	(155)
Profit before taxation		**2 988**	2 498
Taxation		**(950)**	(565)
Profit after taxation		**2 038**	1 933
Income from associates and joint ventures		**235**	93
Net profit from continuing operations		**2 273**	2 026
Discontinued operations			
Profit/(loss) from discontinued operations		**1 647**	(269)
Net profit		**3 920**	1 757
Attributable to:			
Owners of Barloworld Limited		**3 846**	1 643
Non-controlling interests in subsidiaries		**74**	114
		3 920	1 757
Headline earnings from continuing operations	11.0%	**2 427**	2 053

** Restated for the treatment of IFRS 10, IAS 19 and discontinued operation.*

Consolidated seven-year summary continued

for the year ended 30 September

2016* Rm	2015 Rm	2014 Rm	2013* Rm	2012* Rm
62 074	62 720	62 101	59 498	53 415
6 486	6 479	6 170	5 389	4 729
(2 294)	(2 355)	(2 198)	(1 940)	(1 786)
(105)	(129)	(142)	(136)	(111)
4 087	3 995	3 830	3 313	2 831
	(251)			
4 087	3 744	3 830	3 313	2 831
(209)	(198)	(156)	(47)	(93)
(1 331)	(1 252)	(1 117)	(1 000)	(855)
111	67	39	28	37
2 658	2 361	2 596	2 294	1 920
85	(6)	(66)	(79)	190
2 743	2 355	2 530	2 215	2 110
(796)	(808)	(837)	(729)	(753)
1 947	1 547	1 693	1 486	1 358
3	287	217	185	141
1 950	1 834	1 910	1 671	1 499
29		428	46	78
1 979	1 834	2 338	1 717	1 577
1 883	1 713	2 143	1 609	1 501
96	121	195	108	76
1 979	1 834	2 338	1 717	1 577
1 778	1 960	1 813	1 645	1 296

Consolidated seven-year summary continued

for the year ended 30 September

	2018 Rm	2017 Rm
STATEMENT OF FINANCIAL POSITION		
Assets		
Property, plant and equipment	**12 657**	12 659
Goodwill and intangible assets	**3 401**	3 534
Investments in associates, joint ventures and other non-current assets	**2 463**	1 737
Deferred taxation assets	**710**	683
Non-current assets	**19 231**	18 613
Current assets	**29 531**	24 368
Assets classified as held for sale	**497**	3 343
Total assets	**49 259**	46 324
Equity and liabilities		
Capital and reserves		
Share capital and premium	**441**	441
Reserves and retained income	**21 791**	19 834
Interest of shareholders of Barloworld Limited	**22 232**	20 275
Non-controlling interest	**517**	602
Interest of all shareholders	**22 750**	20 877
Non-current liabilities	**8 917**	10 852
Deferred taxation liabilities	**632**	538
Non-current liabilities	**8 285**	10 314
Current liabilities	**17 466**	13 798
Liabilities directly associated with assets classified as held for sale	**126**	797
Total equity and liabilities	**49 259**	46 324
STATEMENT OF CASH FLOWS		
Cash inflow/(outflow) from operations	**1 700**	3 734
Dividends paid (including non-controlling interest)	**(953)**	(803)
Net cash retained from/(applied to) operating activities	**747**	2 931
Net cash flow used in investing activities	**1 891**	(329)
Net cash from/(used in) financing activities	**1 080**	(1 642)
Net increase/(decrease) in cash and cash equivalents	**3 718**	960

** Restated for the treatment of IFRS 10, IAS 19 and discontinued operation.*

Consolidated seven-year summary continued

for the year ended 30 September

2016* Rm	2015 Rm	2014 Rm	2013* Rm	2012* Rm
13 806	14 380	12 614	11 356	9 473
3 728	3 240	3 041	3 219	2 808
1 518	1 503	937	794	685
1 127	783	695	654	537
20 179	19 906	17 287	16 023	13 503
25 015	28 052	26 719	24 213	22 185
828	197		371	
46 022	48 155	44 006	40 607	35 688
441	282	316	316	309
18 501	19 144	16 566	15 129	12 614
18 942	19 426	16 882	15 445	12 923
737	616	604	462	298
19 679	20 042	17 486	15 907	13 221
12 446	12 078	9 700	9 612	8 882
703	571	377	421	384
11 743	11 507	9 323	9 190	8 498
13 830	15 992	16 820	14 983	13 585
67	43		106	
46 022	48 155	44 006	40 607	35 688
5 715	(824)	1 047	2 607	(1 326)
(772)	(814)	(742)	(598)	(443)
4 943	(1 638)	305	2 009	(1 769)
(1 436)	(1 826)	(69)	(1 349)	(1 120)
(2 753)	1 532	1 070	(620)	2 715
754	(1 933)	1 306	40	(173)

Consolidated seven-year summary continued

for the year ended 30 September

PERFORMANCE PER ORDINARY SHARE	
Weighted average number of ordinary shares in issue during the year net of buy-back	
Earnings per share	Net profit attributable to ordinary shareholders of Barloworld Limited / Weighted average number of ordinary shares in issue, net of buy-back
Earnings per share – continuing operations	As above, but using results from continuing results only
Headline earnings per share	Net profit attributable to ordinary shareholders of Barloworld Limited + goodwill impairment -/(+) non-trading profits/(losses) net of tax and non-controlling interest thereof / Weighted average number of ordinary shares in issue, net of buy-back
Headline earnings per share – continuing operations – excluding B-BBEE	As above, but using results from continuing results only
Dividends per share	Interim and final dividends declared out of current year's earnings
Dividend cover	Headline earnings (continuing operations) + B-BBEE transaction charge (net of taxation) / Dividends paid out of current year's earnings
Net asset value per share	Interest of shareholders of Barloworld Limited, including investments at market value / Number of ordinary shares in issue, net of buy-back
PROFITABILITY AND ASSET MANAGEMENT	
Operating margin – Group – excluding B-BBEE	Operating profit before B-BBEE charge and goodwill impairment / Revenue – group operations
Operating margin – Continuing operations – excluding B-BBEE	Operating profit before B-BBEE charge and goodwill impairment / Revenue – continuing operations
Net asset turn	Revenue – group operations / Average net assets
Return on net assets (Group)	Operating profit + B-BBEE transaction charge + investment income + income from associates and joint ventures / Average net assets
Return on net assets (Trading businesses)	As per above group calculation but excluding leasing and car rental businesses
Return on net operating assets (Group)	Operating profit + B-BBEE transaction charge + investment income + income from associates and joint ventures / Average net operating assets
Return on ordinary shareholders' funds (excluding exceptional items) (Group)	Net profit attributable to ordinary shareholders of Barloworld Limited – net exceptional items + B-BBEE transaction charge (net of tax) / Average interest of shareholders of Barloworld Limited
Replacement capex to depreciation	Replacement capital expenditure / Depreciation charge
Effective rate of taxation – continuing operations	Tax charge – prior year tax – non-operating and capital items tax – secondary tax on companies / Profit before tax -/(+) non-operating and capital items + goodwill impairment

** Restated for the treatment of IFRS 10, IAS 19 and discontinued operation.*

Consolidated seven-year summary continued

for the year ended 30 September

	Targets	2018	2017	2016*	2015	2014	2013*	2012*
(000)		**210 875**	210 780	211 425	211 843	211 669	211 011	210 693
SA cents		**1 823.8**	779.6	890.5	808.7	1 012.3	763.0	711.9
US cents		**140.2**	58.2	60.4	67.5	95.8	82.2	88.8
SA cents		**1 042.8**	907.2	876.8	808.7	810.3	739.9	675.7
US cents		**80.2**	67.8	59.4	67.5	76.7	79.7	84.2
SA cents		**1 192.1**	883.4	838.1	813.8	882.5	820.8	651.7
US cents		**91.6**	66.0	56.8	67.9	83.5	88.4	81.2
SA cents		**1 150.9**	974.5	840.9	925.5	856.5	779.6	615.1
US cents		**88.5**	72.8	57.0	77.3	81.0	84.0	76.7
SA cents		**462**	390	345	345	320	291	230
US cents		**35.5**	29.1	23.4	28.8	30.3	31.3	28.7
times		**2.5**	2.1	2.3	2.6	2.5	2.5	2.5
SA cents		**10 453**	9 533	8 997	9 157	7 941	7 266	6 087
US cents		**739**	706	654	661	703	722	738
%	>6.5	**6.8**	6.1	6.2	6.4	6.0	5.3	5.1
%	>6.5	**6.9**	6.6	6.6	6.4	6.2	5.6	5.3
times	>3	**2.1**	2.2	2.1	2.1	2.4	2.6	2.9
%	>18	**15.1**	13.4	13.3	13.4	15.3	14.8	15.4
%	>20	**13.5**	12.6	12.7	12.8	15.2	15.3	16.7
%	>20	**20.5**	18.4	15.9	17.0	18.7	18.0	18.5
%	>15	**11.8**	9.5	9.2	10.9	11.6	12.2	10.6
%		**9.7**	12.2	18.9	29.3	21.6	17.3	18.5
%		**28.5**	23.9	27.0	37.1	34.1	31.8	32.6

Consolidated seven-year summary continued

for the year ended 30 September

LIQUIDITY AND LEVERAGE

Total liabilities to total shareholders' funds	Non-current liabilities – deferred tax liabilities + current liabilities / Interest of all shareholders
Net debt to total shareholders' funds	Non-current interest-bearing liabilities + amounts due to bankers and short-term loans – cash and cash equivalents / Interest of all shareholders
Total borrowings to total shareholders' funds	Non-current interest-bearing liabilities + amounts due to bankers and short-term loans + convertible bond / Interest of all shareholders
– Total group	
– Trading businesses	
– Leasing businesses	
– Car rental businesses	
Net borrowings/EBITDA	Non-current interest-bearing liabilities + amounts due to bankers and short-term loans + convertible bond – cash and cash equivalents / Operating profit + impairment of goodwill and intangible assets + depreciation charge
Current ratio	Current assets / Current liabilities
Quick ratio	Current assets – inventories / Current liabilities
Interest cover – continuing operations	Profit before non-operating and capital items + goodwill impairment + B-BBEE transaction charge + interest paid (including interest capitalised and interest included in cost of sales) / Interest paid (including interest capitalised and interest included in cost of sales)
– Total group	
– Trading businesses	
– Leasing businesses	
– Car rental businesses	

VALUE ADDED

Number of employees	
Revenue per employee	Revenue / Average number of employees
Value created per employee	Total value created per value added statement / Average number of employees
Employment cost per employee	Salaries, wages and other benefits paid to employees / Average number of employees

** Restated for the treatment of IFRS 10, IAS 19 and discontinued operation.*

Consolidated seven-year summary continued

for the year ended 30 September

	Targets	2018	2017	2016*	2015	2014	2013*	2012*
%	<150	**113.2**	115.5	130.0	137.4	149.5	152.0	167.0
%		**14.4**	27.6	40.7	55.1	40.9	47.5	57.6
%		**49.1**	46.4	56.1	66.9	64.7	64.0	76.0
%	30 – 50	**25.3**	20.9	28.9	42.9	39.7	38.0	50.0
%	600 – 800	**614.3**	560.1	720.1	688.4	661.8	665.7	601.2
%	200 – 300	**203.8**	203.3	216.4	210.9	205.4	224.4	217.0
times	<2.5	**0.5**	0.8	1.2	1.8	1.6	1.4	1.6
	>1	**1.7**	1.8	1.8	1.8	1.6	1.6	1.6
	>0.5	**1.1**	1.2	1.1	0.9	0.9	0.8	0.8
times	>3	**3.7**	3.0	3.0	2.9	3.3	3.3	3.2
times	>4	**5.3**	3.8	3.7	3.5	4.0	4.5	4.6
times	>1	**2.0**	2.0	1.8	1.9	2.2	2.2	1.9
times	>1.25	**2.1**	2.0	2.3	2.3	2.4	2.0	1.4
		17 417	19 201	20 786	19 745	19 616	19 204	18 741
R000		**3 646.1**	3 302.8	3 201.6	3 186.9	3 342.8	3 136.0	2 855.5
R000		**1 061.4**	846.2	778.0	790.1	813.6	751.1	678.2
R000		**531.2**	497.6	469.9	452.7	469.0	453.6	410.8

Consolidated seven-year summary continued

for the year ended 30 September

ORDINARY SHARES PERFORMANCE – JSE	
Closing market prices per share	
– year end (30 September)	
– highest	
– lowest	
Number of shares in issue at 30 September##	
Volume of shares traded	
Value of shares traded	
Earnings yield	Headline earnings per share / Closing market price per share
Dividend yield	Dividends per share / Closing market price per share
Total shareholder return – Barloworld Limited	
– Annual share price (loss)/gain	
– Total shareholder return	Annual share price gain + dividend yield
Total shareholder return – JSE all share (Alsi) index	
– Alsi index (30 September)	
– Gain/(loss) in Alsi index – year to 30 September	
– Dividend yield	
– Total shareholder return	
Price:earnings ratio	Closing market price per share / Headline earnings per share
Price:earnings ratio – JSE Alsi index	
Market capitalisation at 30 September	Closing market price per share x number of shares in issue at 30 September
Premium over/(under) interest of shareholders of Barloworld Limited	Market capitalisation – Interest of shareholders of Barloworld Limited

** Restated for the treatment of IFRS 10, IAS 19 and discontinued operation.*
The number of shares in issue excludes shares issued in the respect of the B-BBEE transaction other than to the general staff trust.

Consolidated seven-year summary continued

for the year ended 30 September

	2018	2017	2016*	2015	2014	2013*	2012*
SA cents	**12 317**	12 451	8 327	7 540	9 250	9 538	7 190
US cents	**870**	922	606	544	819	948	871
SA cents	**18 588**	13 300	9 095	10 600	11 648	10 000	10 492
SA cents	**11 748**	8 256	5 192	7 530	8 790	6 790	6 700
million	**211**	211	211	212	213	213	212
million	**221**	256	361	173	170	168	213
Rm	**32 233**	28 562	25 822	15 941	17 552	14 213	17 456
%	**9.3**	7.8	10.1	12.3	9.3	8.6	7.7
%	**3.3**	2.9	4.1	4.4	3.3	3.1	2.6
%	**(1.1)**	49.5	10.4	(18.5)	(3.0)	32.7	19.1
%	**2.2**	52.4	14.5	(14.1)	0.3	35.7	21.7
	55 708	55 580	51 950	50 089	49 336	44 032	35 758
%	**0.2**	8.9	3.7	1.5	12.0	23.1	20.5
%	**3.8**	3.7	2.9	3.1	2.9	2.9	2.6
%	**3.3**	12.6	5.7	4.6	15.0	26.0	23.1
times	**10.3**	14.1	9.9	9.3	10.5	12.6	10.6
	13.6	20.2	23.4	26.7	16.9	19.8	7.8
Rm	**26 004**	26 223	17 570	15 995	19 664	22 043	15 265
Rm	**3 772**	5 948	(1 372)	(3 431)	2 782	6 598	2 342

Consolidated summary in other currencies#

for the year ended 30 September

	US Dollar	
	2018 $m	2017 $m
INCOME STATEMENT		
Continuing operations		
Revenue	**4 875**	4 627
Operating profit before items listed below (EBITDA)	**536**	500
Depreciation	**(187)**	(184)
Amortisation of intangible assets	**(11)**	(11)
Operating profit	**338**	305
Fair value adjustments on financial instruments	**(10)**	(16)
Finance costs	**(91)**	(99)
Income from investments	**11**	8
Profit before non-operating and capital items	**248**	198
Non-operating and capital items	**(19)**	(12)
Profit before taxation	**229**	186
Taxation	**(73)**	(42)
Profit after taxation	**156**	144
Income from associates and joint ventures	**18**	7
Net profit from continuing operations	**174**	151
Discontinued operation		
Profit/(loss) from discontinued operation	**127**	(20)
Net profit	**301**	131
Attributable to:		
Owners of Barloworld Limited	**296**	123
Non-controlling interests in subsidiaries	**5**	8
	301	131
Headline earnings continuing operations	**187**	153
Earnings per share continuing operations (cents)	**80.2**	67.8
Ordinary dividends per share (cents)	**11.1**	29.1

These schedules are provided for convenience purposes only. The presentation currency used for the financial statements and notes is South African Rand.

Consolidated summary in other currencies# continued

for the year ended 30 September

	Pound Sterling		Euro	
	2018 £m	2017 £m	**2018 €m**	2017 €m
	3 617	3 638	**4 096**	4 178
	398	393	**451**	451
	(139)	(145)	**(157)**	(166)
	(8)	(8)	**(9)**	(10)
	251	240	**285**	275
	(8)	(12)	**(9)**	(14)
	(67)	(78)	**(76)**	(90)
	8	6	**10**	7
	184	156	**210**	178
	(14)	(9)	**(16)**	(10)
	170	147	**194**	168
	(54)	(33)	**(61)**	(38)
	116	114	**133**	130
	13	5	**15**	6
	129	119	**148**	136
	94	(16)	**106**	(18)
	223	103	**254**	118
	219	96	**248**	111
	4	7	**6**	7
	223	103	**254**	118
	138	121	**157**	138
	59.5	53.3	**67.3**	61.2
	26.3	22.9	**29.8**	26.3

Consolidated summary in other currencies# continued

for the year ended 30 September

	US Dollar	
	2018 $m	2017 $m
STATEMENT OF FINANCIAL POSITION		
Assets		
Property, plant and equipment	**894**	938
Goodwill and intangible assets	**240**	262
Investment in associates, joint ventures and other non-current assets	**174**	129
Deferred taxation assets	**50**	51
Non-current assets	**1 358**	1 380
Current assets	**2 088**	1 806
Assets classified as held for sale	**35**	248
Total assets	**3 481**	3 434
Equity and liabilities		
Capital and reserves		
Share capital and premium	**31**	33
Reserves and retained income	**1 258**	1 110
Non-distributable reserves – foreign currency translation	**282**	359
Interest of shareholders of Barloworld Limited	**1 571**	1 502
Non-controlling interest	**37**	45
Interest of all shareholders	**1 608**	1 547
Non-current liabilities	**631**	804
Deferred taxation liabilities	**46**	40
Non-current liabilities	**585**	764
Current liabilities	**1 233**	1 021
Liabilities directly associated with assets classified as held for sale	**9**	59
Total equity and liabilities	**3 481**	3 431
STATEMENT OF CASH FLOWS		
Cash inflow from operations	**131**	279
Dividends paid (including non-controlling interest)	**(73)**	(60)
Net cash retained from operating activities	**58**	219
Net cash flow generated/(used in) investing activities	**145**	(25)
Net cash from/(used in) from financing activities	**83**	(123)
Net increase in cash and cash equivalents	**286**	71
Exchange rates used:		
Balance sheet – closing rate (Rand)	**14.15**	13.50
Income statement and cash flow statement – average rate (Rand)	**13.01**	13.39

These schedules are provided for convenience purposes only. The presentation currency used for the financial statements and notes is South African Rand.

Consolidated summary in other currencies# continued

for the year ended 30 September

Pound Sterling		Euro	
2018 £m	2017 £m	**2018 €m**	2017 €m
686	699	**770**	793
184	195	**207**	221
133	96	**150**	109
38	38	**43**	43
1 041	1 028	**1 170**	1 166
1 600	1 345	**1 797**	1 527
27	184	**30**	209
2 668	2 557	**2 997**	2 902
24	24	**27**	28
965	827	**1 083**	939
216	267	**243**	304
1 205	1 118	**1 353**	1 271
28	33	**31**	38
1 233	1 151	**1 384**	1 309
483	599	**541**	680
34	30	**38**	34
449	569	**503**	646
945	761	**1 064**	865
7	44	**8**	50
2 668	2 555	**2 997**	2 904
97	219	**110**	252
(54)	(47)	**(62)**	(54)
43	172	**48**	198
108	(19)	**122**	(22)
62	(96)	**70**	(111)
213	57	**240**	65
18.45	18.12	**16.44**	15.96
17.53	17.03	**15.48**	14.83

Definitions

On the following pages 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.

Changes in accounting policies are accounted for in accordance with the transitional provisions in International Financial Reporting Standards (IFRS). If no such guidance is given, they are applied retrospectively, unless it is impracticable to do so, in which case they are applied prospectively.

Changes in accounting estimates are recognised in profit or loss.

Prior period errors are retrospectively restated unless it is impracticable to do so, in which case they are corrected prospectively.

ACCRUAL ACCOUNTING

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

ACTUARIAL GAINS AND LOSSES

The effect 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 the initial amount and the maturity amount, and minus any reduction for impairment or non-collectability.

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 arrangement. 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.

CAPITAL CHARGE

Average invested capital multiplied by WACC.

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-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 of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.

CHIEF OPERATING DECISION MAKER (KEY MANAGEMENT)
Those persons having authority and responsibility for planning, directing and controlling the activities of the entity.

In terms of this definition, the executive committee of Barloworld Limited has been identified as the chief operating decision maker.

CONSTRUCTIVE OBLIGATION
An obligation that derives from an established pattern of past practice, published policies or a sufficiently specific current statement, in which the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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.

COST OF SALES
When inventories are sold, the carrying amount is recognised as part of cost of sales. Any write-down of inventories to net realisable value and all losses of inventories or reversals of previous write-downs or losses are recognised in cost of sales in the period the write-down, loss or reversal occurs.

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 statement of financial position.

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 operation, 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. The results of discontinued operations are presented separately in the income statement and the assets and liabilities associated with these operations are shown as held for sale in the statement of financial position.

EBITDA
EBITDA refers to earnings before interest, taxes, depreciation and amortisation.

ECONOMIC PROFIT
The measure of the difference between the accounting profit of a business (net operating profit after tax) and the cost of capital invested in the business (referred to as a "capital charge")

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

EVENTS AFTER THE REPORTING PERIOD (POST-BALANCE SHEET)
Recognised amounts in the financial statements are adjusted to reflect events arising after the financial position date that provide evidence of conditions that existed at the financial position date. Events after the financial position date that are indicative of conditions that arose after the financial position date are dealt with by way of a note.

EQUITY
Debt and equity instruments are classified as either financial liabilities or as equity based on the substance of the contractual arrangement.

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

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).

NON-OPERATING AND CAPITAL ITEMS

Non-operating and capital items cover those amounts, which are not considered to be of an operating/trading nature, and generally include re-measurements due to:

- Impairments of goodwill and non-current assets
- Gains and losses on the measurement to fair value less costs to sell (or on the disposal) of assets or disposal groups constituting discontinued operations
- Gains and losses on the measurement to fair value less costs to sell of non-current assets or disposal groups classified as held for sale
- Gains and losses on the disposal of fixed property
- Recycling through profit or loss of foreign currency translation reserves upon disposal of entities whose functional currencies are different to the group's presentation currency
- Recycling through profit or loss of fair value gains and losses previously recognised in other comprehensive income upon the disposal of available for sale financial assets and realisation of hedges of a net investment in a foreign operation
- The group's proportionate share of non-operating and capital items (determined on the same basis) of associates and joint arrangements.

Re-measurements to fair value of other financial instruments (including amounts recycled through profit or loss under cash flow hedges that were previously recognised in other comprehensive income) are not included in non-operating and capital items.

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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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 ASSETS

A financial asset is an asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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 LIABILITIES

A financial liability is a liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the 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 is 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).

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.

INVESTED CAPITAL
The measure of the sum of the total interest of all shareholders (including non-controlling interests), long-term loans, bank overdrafts and short-term loans less cash.

JOINT ARRANGEMENT
An arrangement in which two or more parties have joint control.

JOINT CONTROL
The contractually agreed sharing of control which exists only when decisions about relevant activities require unanimous consent of the parties sharing control.

JOINT OPERATION
A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement.

JOINT VENTURE
A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

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.

MARKET CONDITION
A condition upon which the exercise price, vesting or exercisability of an equity instrument depends on and is related to the market price of the entity’s equity instruments, such as attaining a specified share price or a specified amount of intrinsic value of a share option, or achieving a specified target that is based on the market price of the entity’s equity instruments relative to an index of market prices of equity instruments of other entities.

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 goodwill, cash and cash equivalents.

NET DEBT
Gross debt (long and short term) less net cash.

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.

Definitions continued

NON-CONTROLLING INTEREST
The equity in a subsidiary not attributable, directly or indirectly, to a parent.

OPERATING LEASE
A lease other than a finance lease.

OPERATING SEGMENTS
The executive committee has determined the operating segments based on the information it uses to allocate resources and assess segmental performance. Segments are analysed by operating activities and geographical regions. The activities of the group's operating segments are described below:

The Equipment segment provides customers with integrated solutions that include Caterpillar earthmoving equipment, engines and other complementary brands.

The Automotive segment provides customers with integrated motor vehicle usage solutions through the operation of car rental, motor retail and fleet services.

The Logistics segment provides customers with traditional logistics services and supply chain management solutions.

The Handling segment provides customers with innovative solutions for material handling needs including lift trucks, warehouse handling equipment and distribution of agricultural equipment.

The Corporate segment comprises all the other group activities including the operations of the corporate office in Johannesburg and treasury in the United Kingdom.

Segment accounting policies are consistent with those adopted for the preparation of the group financial statements.

The executive committee evaluates the segment performance based on the operating results 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. All intra-segment transactions are eliminated on consolidation.

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.

RECOGNITION OF ASSETS AND LIABILITIES

Assets are only recognised if they meet the definition of an asset, it is probable that future economic benefits associated with the asset will flow to the group and the amount at which the settlement would take place or fair value can be measured reliably.

Liabilities are only recognised if they meet the definition of a liability, it is probable that future economic benefits associated with the liability will flow from the group and the cost or fair value can be measured reliably.

Financial instruments are recognised when the entity becomes a party to the contractual provisions of the instrument. Financial assets and liabilities as a result of firm commitments are only recognised when one of the parties has performed under the contract.

Regular way purchases and sales are recognised using trade date accounting.

RECOVERABLE AMOUNT

The higher of an asset's or cash-generating unit's fair value less cost 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.

RETURN ON INVESTED CAPITAL (ROIC)

The return on investment capital is a profitability ratio. It measures the percentage return that a company makes over its invested capital by calculating net operating profit after tax over total equity, plus long and short-term loans, bank overdrafts and cash on hand.

REVENUE

Revenue represents the gross inflow of economic benefits during the period arising in the course of the ordinary activities when those inflows result in increases in equity, other than increases relating to contributions from equity participants.

SEGMENT ASSETS

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

SEGMENT LIABILITIES

Non-interest-bearing current and non-current liabilities, excluding deferred and current taxation liabilities.

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 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 when the counterparty's entitlement is no longer conditional on the satisfaction of any vesting conditions.

VESTING CONDITIONS
The conditions that determine whether the entity receives the services that entitle the counterparty to receive cash, other assets or equity instruments of the entity, under a share-based payment arrangement. Vesting conditions are either service conditions or performance conditions. Service conditions require the counterparty to complete a specified period of service. Performance conditions require the counterparty to complete a specified period of service and specified performance targets to be met (such as a specified increase in the entity's profit over a specified period of time). A performance condition might include a market condition.

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

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