BARLOWORLD LIMITED
(Registration Number: 1918/000095/06)

AUDITED FINANCIAL STATEMENTS

30 September 2016

Company financial statements

Contents

General Information

Country of incorporation and domicile	Republic of South Africa
Nature of business and principal activities	Investment Holding Company
Directors	DB Ntsebeza (Chairman) PJ Blackbeard PJ Bulterman NP Dongwana FNO Edozien AGK Hamilton (retired effective 3 February 2016) A Landia (resigned effective 31 December 2015) SS Mkhabela B Ngonyama SS Ntsaluba SB Pfeiffer DM Sewela OI Shongwe CB Thomson (Chief Executive) DG Wilson
Prescribed officer	K Rankin V Salzman (retired effective 30 September 2016)
Registered office	180 Katherine Street Sandton 2146
Postal address	PO BOX 782248 Sandton 2146
Auditors	Deloitte & Touche
Company registration number	1918/000095/06
Preparer of annual financial statements	SY Moodley CA (SA) Group General Manager: Finance
Company Secretary	LP Manaka

Directors' responsibility and approval of the financial statements for the year ended 30 September 2016

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss.The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on a going concern basis. Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for the foreseeable future.

In addition, the directors have also reviewed the cash flow forecast for the year to 30 September 2017 and believe that Barloworld Limited has adequate resources to continue in operations for the foreseeable future. Accordingly, the financial statements have been prepared on a going-concern basis and the external auditors concur.

The financial statements set out on pages 7 to 40 were approved by the board of directors on 18 November 2016 and are signed on its behalf by:

DG Wilson
Director
18 November 2016

CB Thomson
Director
18 November 2016

Deloitte.

Deloitte & Touche
Registered Auditors
Audit - Gauteng

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BARLOWORLD LIMITED

Report on the Financial Statements

We have audited the financial statements of Barloworld Limited set out on pages 12 to 40, which comprise the statement of financial position as at 30 September 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Barloworld Limited as at 30 September 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 September 2016, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on Other Legal and Regulatory Requirements

In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Deloitte & Touche has been the auditor of Barloworld Limited for 98 years.

Deloitte & Touche

Deloitte & Touche
Registered auditors

Per: Bongisipho Nyembe
Partner

18 November 2016

Directors' report
for the year ended

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 and Handling (earthmoving, power systems, materials handling and agriculture)

Automotive and Logistics (car rental, motor retail, fleet services, used vehicles and disposal solutions, logistics management and supply chain optimisation)

Corporate office (corporate services)

FINANCIAL RESULTS

The company has made a profit after tax of R710 million (2015: 470 million). The consolidated annual financial statements are available on the company's website, www.barloworld.com.

SHARE CAPITAL

The authorised share capital of the company as at 30 September 2016 is as follows:
400 000 000 ordinary par value shares of R0.05 each
500 000 6% cumulative preference shares of R2 each.

The issued share capital of the company as at 30 September 2015 is as follows:

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

Further details of the authorised and issued share capital, appear in note 12 of the annual financial statements.

DIVIDENDS

Details of the dividends and distributions declared and paid are shown in note 18 of the annual financial statements. The directors concluded that the company would be both solvent and liquid subsequent to such dividend declarations.

DIRECTORS

The composition of the Board of Directors is set out in the section "Our Board of Directors" of the Integrated Report and the Annual General Meeting (AGM) Booklet available on the company's website www.barloworld.com.

On 3 October 2016, the Company announced that CB Thomson will step down as the chief executive at the forthcoming AGM and will be succeeded by DM Sewela.

Messrs, PJ Bulterman, DB Ntsebeza, SB Pfeiffer, and CB Thomson are required in accordance with the company's memorandum of incorporation ("MOI") to retire by rotation at the forthcoming AGM. PJ Bulterman, SB Pfeiffer and CB Thomson have not offered themselves for re-election and will retire as members of the board at the AGM. DB Ntsebeza, is eligible and has offered himself for re-election.

Independent non-executive directors, A Landia resigned from the Barloworld board with effect from 31 December 2015 and G Hamilton, having reached retirement age for non-executive directors, retired from the board on 3 February 2016.

COMPANY SECRETARY AND REGISTERED OFFICE

The company secretary is Lerato Manaka and her business address and that of the registered office are:

Business address	**Postal address**
180 Katherine Street Sandton 2146 South Africa	PO Box 782248 Sandton 2146 South Africa

AUDITORS

Deloitte & Touche continued in office as auditors for the company and its subsidiaries.

At the forthcoming AGM, shareholders will be requested to reappoint Deloitte & Touche as the registered independent external auditors of Barloworld Limited as of 1 October 2016 and to confirm Mr B Nyembe, as the lead independent external auditor.

ACQUISITIONS AND DISPOSALS

Significant acquisitions and disposals in the year under review related mainly to the assets of Union Motors Lowveld and Union Motors South Coast acquired by the Automotive division and the disposal of Barloworld Supply Chain Software by the Logistics division.

GOING CONCERN

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

EVENTS AFTER THE REPORTING PERIOD

On 17 November 2016 Barloworld signed an agreement for the sale of the assets of its Agriculture and Handling businesses in South Africa to a new operating company. The new operating entity will be held 50%:50% by Barloworld and BayWa AG, a German listed company. The closing of this transaction is contingent upon the fulfilment of the conditions precedent including approvals from the competition commission and principals, which we anticipate will be in place by the end of February 2017.

Audit committee report for the year ended 30 September 2016

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 Companies Act and the Listings Requirements of the JSE for the financial year ended 30 September 2016.

The committee is satisfied that it has performed both the statutory requirements for an audit committee as set out in the Companies Act 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.

EXTERNAL AUDIT

The committee

- Nominated and recommended to shareholders Deloitte & Touche as independent external auditors and the appointment of Mr B Nyembe as the independent designated auditor for the financial year ending 30 September 2017 in compliance with the Companies Act and the Listings Requirements of the JSE Limited;
- Nominated Deloitte & Touche as independent external auditors and the designated audit partner for Barloworld's subsidiary companies;
- 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 external auditors and the pre-approval authorisation process for these services that the external auditors may provide; and
- Considered to its satisfaction the independence, objectivity and effectiveness of the external auditors and ensured that the scope of their additional (non-audit) services provided were not such that they could be seen to have impaired their independence.

INTERNAL CONTROL AND 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 company'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 Barloworld 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 company 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 Ms A Masemola; and considered the appropriateness of the expertise and adequacy of the resources of the group's internal audit function.

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 2016 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 company'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, Mr DG Wilson; and
- Considered the appropriateness of the expertise, diversity and adequacy of resources of the group's financial function and the experience of the senior members of management responsible for the financial function.

Financial statements

The committee

- Considered accounting treatments, significant or unusual transactions and accounting judgements;
- Considered the appropriateness of accounting policies and any changes made;
- Met separately with management, external audit and internal audit and the chairman attended the risk & 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 company's financial statements, internal controls of the company 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 2016;
  - The audited annual results for the year ended 30 September 2016;
- 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.

ANNUAL FINANCIAL STATEMENTS

The audit committee considered the consolidated annual financial statements, the company financial statements and the summarised annual financial statements, for the year ended 30 September 2016. The audit committee has also considered the non-financial information as disclosed in the annual financial statements 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 summarised annual financial statements have been prepared using appropriate accounting policies, which conform to International Financial Reporting Standards.

At their meeting held on 16 November 2016 the committee recommended the integrated report for approval to the board.

SS Ntsaluba
Audit Committee Chairman
Audit Committee Chairman
18 November 2016

Preparer of financial statements

for the year ended 30 September 2016

These annual financial statements have been prepared under the supervision of SY Moodley BCom, CA(SA), ACMA.

SY Moodley
Group general manager: finance
18 November 2016

Certificate by Secretary

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 Registrar of 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.

LP Manaka
Company secretary
18 November 2016

Statement of comprehensive income
for the year ended 30 September 2016

	Notes	2016 R m	2015 R m
Revenue	2.	139	137
Operating profit	3.	1,311	1,408
Finance costs	4.	(535)	(698)
B-BBEE charge		-	(198)
Profit before Non-operating and capital items		776	512
Non-operating and capital items	5.	10	41
Profit before taxation		786	553
Taxation	6.	(76)	(83)
Profit after taxation		710	470
Other comprehensive income		-	-
Total comprehensive income for the year		710	470

Statement of financial position
at 30 September 2016

	Notes	2016 R m	2015 R m
ASSETS			
Non-current assets		**7 786**	7 583
Investment property	7.	**742**	727
Intangible assets	8.	**7**	9
Long term financial assets	9.	**2 655**	2 655
Amounts owing from subsidiaries	10.	**4 382**	4 192
Current assets		**9 715**	10 725
Amounts owing from subsidiaries	10.	**9 711**	10 718
Trade and other receivables		**2**	1
Taxation		**2**	6
TOTAL ASSETS		**17 501**	18 308
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	12.	**286**	127
Other reserves		**168**	168
Retained Income		**11 118**	11 141
Interest of shareholder of Barloworld Limited		**11 572**	11 436
Non-current liabilities		**4 393**	4 202
Deferred taxation liability	11.	**11**	10
Interest-bearing liabilities	13.	**4 382**	4 192
Current liabilities		**1 536**	2 670
Amounts due to subsidiaries	10.	**163**	169
Trade and other payables		**26**	51
Amounts due to bankers and short-term loans	14.	**1 347**	2 450
TOTAL EQUITY AND LIABILITIES		**17 501**	18 308

Statement of changes in equity
for the year ended 30 September 2016

	Notes	Share capital and premium Rm	Revaluation reserves Rm	Equity compensation reserves Rm	Total other reserves Rm	Total retained income Rm	Total share-holders' interest Rm
Balance at 30 September 2014		161	3	165	168	11 222	11 551
Total comprehensive income for the year		-	-	-	-	470	470
BEE equity expenses		-	-	-	-	198	198
Dividends on ordinary shares	18.	-	-	-	-	(749)	(749)
Share buy back in the current year	12.	(34)	-	-	-	-	(34)
Balance at 30 September 2015		127	3	165	168	11 141	11 436
Total comprehensive income for the year		-	-	-	-	710	710
Dividends on ordinary shares	18.	-	-	-	-	(733)	(733)
Shares issued in the current year	12.	286	-	-	-	-	286
Share buy back in the current year	12.	(127)	-	-	-	-	(127)
Balance at 30 September 2016		286	3	165	168	11 118	11 572

Statement of cash flows
for the year ended 30 September 2016

	Notes	2016 R m	2015 R m
Cash flows from operating activities			
Cash generated from operations	A.	67	95
Finance costs		(535)	(698)
Dividends received from investments (excluding withholding tax)		531	436
Interest received		695	885
Taxation paid	B.	(68)	(76)
Cash flow from operations		690	642
Dividends paid		(733)	(749)
Cash retained from operating activities		(43)	(107)
Cash flows from investing activities			
Acquisition of investment property		(24)	(18)
Proceeds on sale of investment property		11	-
Movement in loans from/(to) subsidiaries		811	1,365
Net cash generated in investing activities		798	1,347
Net cash inflow before financing activities		755	1,240
Cash flows from financing activities			
Proceeds on share issue		286	-
Buyback on share issue		(127)	-
Proceeds from long-term borrowings		1,252	710
Repayment of long-term borrowings		(1,063)	(1,450)
(Decrease) in short term interest bearing liabilities		(1,103)	(500)
Net cash (outflow)from financing activities		(755)	(1,240)
Net movement in cash and cash equivalents		-	-
Cash equivalents at the beginning of year		-	-
Cash and cash equivalents at end of year		-	-

Notes to the statement of cash flows
for the year ended 30 September 2016

		2016 R m	2015 R m
A.	**Cash generated from operations is calculated as follows:**		
	Profit before taxation	786	553
	Adjustments for:		
	Depreciation	9	9
	Profit on sale of investment property	(10)	(43)
	Amortisation of intangible assets	2	2
	Dividends received	(535)	(441)
	Interest received	(695)	(885)
	Finance costs	535	698
	B-BBEE charge	-	198
	Impairment	-	2
	Operating cash flows before movements in working capital	92	93
	Decrease in trade and other receivables	-	1
	(Decrease)/increase in payables	(25)	1
	Cash generated from operations	67	95
B.	**Taxation paid is reconciled to amounts disclosed in the income statement as follows:**		
	Amounts overpaid at beginning of year	6	6
	Per the statement of comprehensive income(excluding foreign taxation)	(72)	(76)
	Amounts overpaid at end of year	(2)	(6)
	Cash amounts paid	(68)	(76)

1. Accounting policies

The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC) interpretations applicable to companies reporting under IFRS, the Companies Act, the JSE Listing Requirements and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee.

The financial statements have been prepared in accordance with the historical cost convention, except for certain financial instruments and share-based payments which are measured at fair value.

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.

1.3 Derecognition of assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows have been transferred or have expired or when substantially all the risks and rewards of ownership have passed.

All other assets are derecognised on disposal or when no future economic benefits are expected from their use.

Financial liabilities are derecognised when the relevant obligation has either been discharged, cancelled or has expired.

1.4 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the estimated cost of dismantling and removing the assets.

Owner occupied properties and investment properties in the course of construction are carried at cost, less any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying value. Cost includes professional fees and, for qualifying assets, borrowings costs capitalised in accordance with the company 's accounting policy. Depreciation commences, on the same basis as other property assets, when the assets are ready for their intended use.

Depreciation is charged so as to write off the depreciable amount of the assets, other than land, over their estimated useful lives to estimated residual values, using a method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Where significant parts of an item have different useful lives to the item itself, these parts are depreciated over their individual estimated useful lives.

The methods of depreciation, useful lives and residual values are reviewed annually. The following methods and rates were used during the year to depreciate property, plant and equipment to estimated residual values:

Freehold land and buildings	Straight line	20 to 50 years
Equipment	Straight line	5 to 10 years
Furniture	Straight line	3 to 15 years

The gain or loss arising on the disposal or scrapping of property, plant, and equipment is recognised in profit or loss.

1.5 Investment property

An investment property is either land or a building or part of a building held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both. The cost model is applied in accounting for investment property, i.e. the investment property is recorded at cost less any accumulated depreciation and impairment losses. Investment property is depreciated at the same rate as 1.4 above.

1.6 Intangible assets

Intangible assets are initially recognised at cost if acquired separately or at fair value if acquired as part of a business combination. Intangible assets having a finite useful life is amortised over their useful lives.

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

Development costs	Straight line	2-7 years
Patents	Straight line	10 years
Trademarks	Straight line	10-20 years

1.7 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.

1.8 Financial assets and liabilities (Financial instruments)

Financial assets and financial liabilities are recognised on the company's balance sheet when the company has become a party to contractual provisions of the instrument.

Trade and other receivables are classified as loans and receivables and are measured at amortised cost less provision for doubtful debts. 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.

Significant financial assets include loans receivable and loans to related parties, which are stated at nominal values.

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Significant financial liabilities include bonds and other payables, which are stated at nominal values.

The directors are of the opinion that the carrying amount of financial instruments approximates their fair values.

1.9 Provisions

Provisions are recognised when the company has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

Provisions are measured at the expenditure required to settle the present obligation. Where the effect of discounting is material, provisions are measured at their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks for which future cash flow estimates have not been adjusted.

1.10 Revenue

Included in revenue are net invoiced sales to customers for rentals from leasing fixed property. 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 income is accounted for in accordance with policy note 1.14 below.

1.11 Income from investments

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

1.12 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.

1.13 Impairment of assets

Tangible and intangible asssets

At each reporting date the carrying amount of the tangible and intangible assets are assessed to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

Value in use, included in the calculation of the recoverable amount, is estimated taking into account future cash flows, forecast market conditions and the expected lives of the assets.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to the higher of its recoverable amount and zero. The impairment loss is first allocated to reduce the carrying amount of goodwill and then to the other assets of the cash generating unit. Subsequent to the recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted to allocate its remaining carrying value, less any residual value, over its remaining useful life.

Impairment losses are recognised in profit or loss. If an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss.

Goodwill and intangible assets with indefinite useful lives or not available for use and the cash generating units to which these assets have been allocated are tested for impairment even if there is no indication of impairment. For the purpose of impairment testing goodwill is allocated to each of the cash generating units expected to benefit from the synergies of the combination at inception of the combination.

Financial assets

Impairment losses on held-to-maturity financial assets as well as trade and other receivables are determined based on specific and objective evidence that assets are impaired and is measured as the difference between the carrying amount of assets and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition and reconginsed in profit or loss.

1.14 Leasing

Classification

Leases are classified as finance leases or operating leases at the inception of the lease.

In the capacity of a lessor

Amounts due from a lessee under a finance lease are recognised as receivables at the amount of the net investment in the lease, which includes initial direct costs. Where assets are leased by a manufacturer or dealer, the initial direct costs are expensed. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

Rental income 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.

1.15 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.

Cash settled share appreciation rights

Cash settled share appreciation rights 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.

Equity settled share appreciation rights

Equity settled share appreciation rights have been granted to employees in terms of the Barloworld Share Appreciation Rights scheme (SAR). 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.

Broad Based Black Economic Empowerment ("B-BBEE")

In a B-BBEE transaction, the share-based payment is measured as the difference between the fair value of the equity instruments granted and the fair value of the cash and other assets received (i.e. the B-BBEE equity credentials) and are recognised as follows:

- in profit or loss at the grant date unless there are service conditions in which case it is recognised over the relevant period of the service conditions.
- as part of goodwill where the B-BBEE equity credentials are obtained as part of the net assets acquired in a business combination.

1.16 Equity instruments

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

1.17 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

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.

Impairment of assets

Property, plant and equipment, and intangible assets are considered for impairment if there is a reason to believe that an impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

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.

1.18 Dividends payable

Dividends payable and the related taxation thereon are recognised by the group when the dividend is declared. These dividends are recorded and disclosed as dividends in the statement of changes in equity. Dividend withholding tax is levied on the recipient but collected by the group and remitted to the authorities. A liability is recognised in respect of the tax levied for the period when the dividend are recognised as a liability. Dividend withholding tax is not included in the taxation charge in profit or loss.

Dividends proposed or declared subsequent to the balance sheet date are not recognised.

Notes to the financial statements continued
for the year ended 30 September 2016

		2016 Rm	2015 Rm
2.	**Revenue**		
	Rendering of services :		
	Rentals received	**139**	137
		139	137

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

		2016 Rm	2015 Rm
3.	**Operating profit**		
	Operating profit is arrived at as follows:		
	Revenue	**139**	137
	Add: Net income	**1 230**	1 326
	Interest from subsidiaries	**695**	885
	Dividends from subsidiaries	**535**	441
	Less: Net expense	**(58)**	(55)
	Administrative costs	**(58)**	(55)
	Operating profit	**1 311**	1 408
	Administrative costs include the following:		
	Depreciation	**9**	9
	Amortisation of intangible assets (note 8)	**2**	2
	Administration, management and technical fees paid	**2**	1
	Auditors' remuneration	**4**	5
	Audit fees	**4**	5
4.	**Finance costs**		
	Interest paid:		
	Bonds and Commercial Paper	**(535)**	(698)
		(535)	(698)

Notes to the financial statements continued

for the year ended 30 September 2016

		2016 Rm	2015 Rm
5.	**Non-operating and capital items**		
	Profit on sale of investment property	**10**	43
	Impairment on investment property	**-**	(2)
		10	41

2016

A portion of the Barlow Park land (The Wedge) was sold on 5 September 2016 to City of Johannesburg Metropolitan Municipality for an amount of R10.5 million. The cost of The Wedge was R87 836. A profit on disposal amounting to R10.4 million has been recognised in non-operating and capital items in the statement of comprehensive income.

2015

The three Motor Dealership properties were sold on 1 March 2015 to a group subsidiary Barloworld South Africa (Pty) Ltd for an amount of R87 million. The cost of the properties sold was R56 million and there was no tax effect.The book value of these properties was R44 million. A profit on disposal of these properties amounting to R43 million has been recognised in non-operating and capital items in the statement of comprehensive income.

The refurbishments performed on the property resulted in the derecognition of certain components being written off as an impairment.

		2016 Rm	2015 Rm
6.	**Taxation**		
	Foreign and withholding taxation	**(3)**	(4)
	Current year	**(72)**	(76)
		(75)	(80)
	Deferred taxation		
	Current year	**(1)**	(3)
		(1)	(3)
	Taxation attributable to the company	**(76)**	(83)

	2016 %	2015 %
Reconciliation of rate of taxation:		
South Africa normal taxation rate	**28.0**	28.0
Reduction in rate of taxation	**(19.0)**	(22.1)
Adjustment due to inclusion of dividend income	**(19.0)**	(22.1)
Increase in the rate of taxation	**0.1**	8.4
Disallowable charges*	**0.6**	0.8
B-BBEE charge	**-**	10.0
Profit on sale of investment property	**(0.4)**	(2.2)
Withholding taxation	**(0.1)**	(0.2)
Taxation as a percentage of profit before taxation	**9.1**	14.3

* Disallowable charges includes depreciation, fines and penalties, interest paid to SARS, consulting fees and other expenses attributable to non taxable income.

Notes to the financial statements continued

for the year ended 30 September 2016

		Cost R m	Accumulated depreciation R m	Net book value R m
7.	**Investment property**			
	2016			
	Freehold land and buildings	**842**	**100**	**742**
		842	**100**	**742**
	2015			
	Freehold land and buildings	818	91	727
		818	91	727

There are no assets encumbered.

	Freehold land and buildings R m	Total R m
Movement of net book value of investment property		
2016		
Net balance at 1 October 2015	**727**	**727**
Additions	**24**	**24**
	751	**751**
Depreciation (note 3)	**(9)**	**(9)**
Net balance at 30 September 2016	**742**	**742**
2015		
Net balance at 1 October 2014	750	750
Additions	18	18
Transfer from Property, Plant and Equipment	14	14
Disposal*	(44)	(44)
Impairment	(2)	(2)
	736	736
Depreciation (note 3)	(9)	(9)
Net balance at 30 September 2015	727	727

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

2016

The insurable value based on the cost of replacement for the above freehold land and building as at 30 September 2016 amounted to R2 753 million (2015: R2 503 million).

2015

*Three properties were sold to a group subsidiary, Barloworld South Africa (Pty) Ltd trading as Motor Retail.

Notes to the financial statements continued
for the year ended 30 September 2016

		Patents, trademarks and develop-ment costs R m	Total Intangible assets R m
8.	**Intangible assets**		
	2016		
	Cost		
	At 1 October	**37**	**37**
	At 30 September	**37**	**37**
	Accumulated amortisation		
	At 1 October	**28**	**28**
	Charge for the year (note 3)	**2**	**2**
	At 30 September	**30**	**30**
	Carrying amount		
	At 30 September	**7**	**7**
	2015		
	Cost		
	At 1 October	37	37
	At 30 September	37	37
	Accumulated amortisation		
	At 1 October	26	26
	Charge for the year (note 3)	2	2
	At 30 September	28	28
	Carrying amount		
	At 30 September	9	9

Notes to the financial statements continued

for the year ended 30 September 2016

		2016 Rm	2015 Rm
9.	**Long-term financial assets**		
	Investment in subsidiaries (note 19)	**2 650**	2 650
	Unlisted investments	**5**	5
		2 655	2 655

10.	**Amounts due from/(to) subsidiaries (note 19)**		
	Long term loans	**4 382**	4 192
	Short term loans	**9 711**	10 718
	Amounts owing from subsidiaries *	**14 093**	14 910
	Amounts owing to subsidiaries **	**(163)**	(169)

* The R14,093 million owing from subsidiaries is made up of R7,363 million interest bearing loan to Barloworld South Africa (Pty) Ltd, R2,996 million equity loan to Barloworld South Africa (Pty) Ltd, R3,175 million equity loan to Barloworld Investment (Pty) Ltd and the balance of R559 million includes various group equity loans which are interest free with no fixed repayment terms. The interest bearing loan of R7,363 million to Barloworld South Africa (Pty) Ltd 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%.

Amounts owing from subsidaries are classified as long term based on the portion of the company's long term borrowing.

** The R163 million owing to subsidiaries is made up of various group equity loans which are interest free with no fixed repayment terms.

11.	**Deferred taxation (liabilities)**		
	Movement of deferred taxation		
	Balance at beginning of year	**(10)**	(7)
	Recognised in the statement of comprehensive income	**(1)**	(3)
	Balance at end of year	**(11)**	(10)
	Analysis of deferred taxation by type of temporary difference		
	Other temporary differences	**(11)**	(10)
		(11)	(10)
	Amount of deferred taxation recognised in the statement of comprehensive income		
	Other temporary differences	**(1)**	(3)
		(1)	(3)

Notes to the financial statements continued
for the year ended 30 September 2016

		2016 Rm	2015 Rm
12.	**Share capital and premium**		
	Authorised share capital		
	500 000 6 % non-redeemable cumulative preference shares of R2 each	1	1
	400 000 000 ordinary shares of 5 cents each	20	20
		21	21
	Issued share capital		
	375 000 6 % non-redeemable cumulative preference shares of R2 each (2015 : 375 000)	1	1
	212 692 583 ordinary shares of 5 cents each (2015: 226 727 596)	11	12
		12	13
	Share premium:	274	114
	Balance at beginning of year	114	148
	Premium on share buy-back*	(126)	(34)
	Premium on share issues **	286	-
	Total issued share capital and premium	286	127

2016
* On 23 October 2015 the company repurchased 14 485 013 Barloworld shares from the strategic black partners and community service group at par and cancelled the shares in terms of the 2008 B-BBEE transaction.

**On 5 November 2015 the strategic black partners and community service group subscribed for 1 590 622 Barloworld shares at R179.69 per share. In addition the participants subscribed for an additional 450 000 Barloworld shares at par.

2015
* The members in the general meeting on 19 June 2015 gave specific authority to issue 450 000 additional shares at par value for cash to the strategic black partners and community service group participants as part of the amendments to the 2008 B-BBEE transaction. These shares have been issued on 5 November 2015. To facilitate this the company bought back 450 000 shares for R34 million.

		2016	2015
13.	**Interest-bearing liabilities**		
	Total long term borrowings	4,832	5,642
	Less : Current portion redeemable and repayable within one year (note 14)	(450)	(1,450)
	South African rand: Interest-bearing	4,382	4,192

Barloworld Bonds

Certificate	Issued	Maturity	Comparable Treasury Stock	Spread bps	Yield %	Type	2016 Rm	2015 Rm
BAW2	02-Oct-08	02-Oct-15	R 157	277	11.67	Fixed rate (NACS)	-	750
BAW3	15-Sep-10	02-Oct-17	3-month Jibar	260	9.96	Floating rate	334	334
BAW8	15-Sep-10	02-Oct-17	R 203	234	9.94	Fixed rate (NACS)	91	91
BAW10	14-Jun-11	30-Sep-16	3-month Jibar	155	8.91	Floating rate	-	614
BAW11	14-Jun-11	01-Oct-18	R 204	156	9.80	Fixed rate (NACS)	460	460
BAW13	17-Apr-12	17-Apr-17	3-month Jibar	155	8.90	Floating rate	450	450
BAW15	01-Feb-13	01-Feb-16	3-month Jibar	125	7.57	Floating rate	-	200
BAW17	05-Dec-13	05-Dec-18	3-month Jibar	148	8.84	Floating rate	714	714
BAW18	05-Dec-13	05-Dec-20	3-month Jibar	170	9.06	Floating rate	355	355
BAW19	05-Dec-13	05-Dec-20	R 208	167	9.56	Fixed rate (NACS)	472	472
BAW20U	15-Jul-14	15-Jan-16	3-month Jibar	110	7.41	Floating rate	-	500
BAW21	24-Mar-15	24-Mar-22	R 208	210	9.30	Fixed rate (NACS)	710	710
BAW22	07-Dec-15	07-Dec-22	3-month Jibar	200	9.36	Floating rate	253	-
BAW23U	15-Jan-16	15-Oct-17	3-month Jibar	115	8.50	Floating rate	500	-
BAW24	30-Sep-16	30-Sep-19	3-month Jibar	185	9.21	Floating rate	501	-
Fees Capitalised							(8)	(8)
							4 832	5 642

Notes to the financial statements continued

for the year ended 30 September 2016

		2016 Rm	2015 Rm
14.	**Amounts due to bankers and short-term loans**		
	Short term loans *	897	1 000
	Current portion of long term loan (note 13)	450	1 450
		1 347	2 450

*Short term loan

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

		2016 Rm	2015 Rm
15.	**Contingent liabilities**		
	Guarantees for loans, overdrafts and liabilities of subsidiaries	5 895	6 640

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

The Group has received a provisional statement of objection from the Dutch Competition Authorities in respect of a subsidiary disposed of in 2013, setting out their provisional findings on an industry wide investigation for the period ending 2010. At this stage the outcome of these proceedings cannot be predicted with any certainty. Management are however giving the matter their full attention and are, in conjunction with legal advisors, drafting a written response to the objection.

16. Changes in accounting policy and disclosures

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

New standards not yet adopted

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

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

In November 2009 the IASB issued IFRS 9 Financial Instruments as the first phase in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 phase 1 introduces new requirements for classifying and measuring financial assets. Those chapters require all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs. Assets are subsequently measured at amortised cost or fair value. In October 2010 the IASB added to IFRS 9 the requirements related to the classification and measurement of financial liabilities. In December 2011 the IASB issued IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures as amendments to IFRS 9 (2009), IFRS 9 (2010) and IFRS 7. In November 2013 the IASB issued the amendments to hedge accounting, accounting and disclosure of the fair value of an entity's own debt and removed the effective date of IFRS 9. In July 2014, IFRS 9 was issued as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. This amendment completes the IASB's financial instruments project. The complete IFRS 9 is effective for the year ending September 2019, the detail requirements of the new standard is being assessed.

IFRS 15 Revenue from Contracts with Customers (May 2014) and Clarification ot 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. The standard replaces IAS 11 Construction contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, SIC-31 Revenue - Barter Transactions Involving Advertising Services.

This IFRS is effective for the year ending 30 September 2019. When first applying IFRS 15, entities should apply the standard in full for the current period, including retrospective application to all contracts that were not yet complete at the beginning of that period. In respect of prior periods, the transition guidance allows entities an option to either, apply IFRS 15 in full to prior periods or retain prior period figures as reported under the previous standards, recognising the cumulative effect of IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application (beginning of current reporting period). The standard will impact recognition, measurement and disclosure, the detailed assessment of the amendments continues.

IFRS 16 – Leases (January 2016)

Lessee accounting

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. IFRS 16 contains disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.

Lessor accounting

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 is effective for the year ending September 2020, the detail requirements of the new standard is being assessed.

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

- IFRS 14 Deferral of Regulatory accounts (January 2014), effective FY 2017.
- Amendments to IAS 16 and IAS 41 - Agriculture: Bearer plants (June 2014), effective FY 2017.
- Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of depreciation and amortisation, effective FY 2017.
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations, effective FY 2017.
- Amendments to IAS 27 Equity methods in Separate Financial Statements (August 2014) , effective FY 2017.
- IFRS 10 and IAS 28: Sale of contribution of assets between an investor and its Associate or Joint venture, effective FY 2017.
- IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception, effective FY 2017.
- Annual Improvements to IFRS 2012-2014 Cycle (September 2014), effective FY 2017.
- Disclosure Initiative - Amendments to IAS 1 (December 2014), effective FY 2017.

17. 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	2016 Rm	2015 Rm
17.1	**Summary of the carrying and fair value of financial instruments**			
	Carrying value of financial instruments by category:			
	Financial assets:			
	Loans and receivables		**7**	6
	Amount owing from subsidaries		**7,363**	8 605
	Fair value of financial instruments by category:			
	Financial assets:			
	Loans and receivables		**7**	6
	Amount owing from subsidaries		**7 363**	8 605
			7,370	8 611
	Carrying value of financial instruments by category:			
	Financial liabilities:			
	Financial liabilities measured at amortised cost		**26**	51
	Interest-bearing loans	13,14	**5,729**	6 642
	Fair value of financial instruments by category:			
	Financial liabilities:			
	Financial liabilities measured at fair value		**26**	51
	Interest-bearing loans		**5,766**	6 720
			5,792	6 771

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

17.2 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 maximizing the return to stakeholders through the optimization of debt and equity. The overall strategy remains unchanged from the previous year.

The capital structure of the company consists of debt (refer notes 13 and 14) 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 most recent economic conditions and forecasts.

Notes to the financial statements continued
for the year ended 30 September 2016

17. Financial Instruments (continued)

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.

	2016 Rm	2015 Rm
The interest rate profile of total borrowings is as follows:		
Interest rates		
Loans at fixed rates of interest	1 731	2 481
Loans linked to South Africa money market rates	3 998	4 161
	5 729	6 642

Interest rate sensitivity analysis

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

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

c. Credit risk

The potential area of credit risk is short-term cash investments, 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.

	2016 Rm	2015 Rm
Maximum exposure to credit risk (excl collateral held)		
Financial assets	14 100	14 916

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 liabilties

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 2016	2 017	2018-2021	2022 and onwards
Interest-bearing liabilities	5 729	1 347	3 421	961

Notes to the financial statements continued
for the year ended 30 September 2016

		2016 Rm	2015 Rm
18.	**Dividends**		
	Ordinary shares		
	Final dividend No 174 paid on 18 January 2016: 230 cents per share (2015: No 172 - 214 cents per share)	488	487
	Interim dividend No 175 paid on 13 June 2016: 115 cents per share (2015: No 173 - 115 cents per share)	245	262
	Paid to Barloworld Limited shareholders	733	749

On 17 November 2016 the directors declared dividend No176 of 230 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 15% (fifteen per centum);
- Barloworld has 212 692 583 ordinary shares in issue;
- The gross local dividend amount is 230 cents per ordinary share;
- The net dividend amount is 195.5 cents per share;

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

Date declared	**Monday**	**21 November 2016**
Last day to trade cum dividend	**Tuesday**	**10 January 2017**
Shares trade ex dividend	**Wednesday**	**11 January 2017**
Record date	**Friday**	**13 January 2017**
Payment date	**Monday**	**16 January 2017**

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 January 2017 and Friday, 13 January 2017, both days inclusive.

Analysis of dividends declared in respect of current year's earnings:	2016	2015
Ordinary dividends per share	Cents	Cents
Interim dividend	115	115
Final dividend	230	230
	345	345

6% cumulative non-redeemable preference shares

Preference dividends totalling R22 500 were declared on each of the following dates:

3 October 2016 (paid on 31 October 2016)

4 May 2016 (paid on 6 June 2016)

5 October 2015 (paid on 2 November 2015)

13 April 2015 (paid on 18 May 2015)

12 December 2014 (paid on 12 January 2015)

13 October 2014 (paid on 17 November 2014)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September

19 PRINCIPAL SUBSIDIARY COMPANIES

	Issued capital			Effective percentage holdings		Shares		Interest of holding company Indebtedness		Amounts owing to subsidiaries	
	Type	Currency	Local Currency Amount	2016 %	2015 %	2016 Rm	2015 Rm	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Avis Southern Africa Limited	H	ZAR	17 903 911	100	100	106	106	91	91		
Barloworld Botswana (Pty) Limited [3]	H	BWP	35 329 536	100	100						
Barloworld Capital (Pty) Limited	O	ZAR	30 000 000	100	100	30	30				
Barloworld Equipment (Pty) Limited	O	ZAR	2	100	100						
Barloworld Equipment UK Limited [1]	O	GBP	4 500 000	100	100						
Vostochnaya Technica UK [1]	O	GBP	34 500 000	100	100						
Barloworld Holdings Limited [1]	H	GBP	228 301 000	100	100						
Barloworld Handling Limited [1]	O	GBP	22 180 000	100	100						
Barloworld Insurance Limited [1]	O	GBP	4 100 000	100	100	63	63				
Barloworld Investments (Pty) Limited	H	ZAR	900	100	100	108	108	3 176	2 926		
Barloworld Logistics Africa (Pty) Limited	O	ZAR	2 859 920	100	100						
Barloworld South Africa (Pty) Limited	O	ZAR	765 424	100	100	2 152	2 152	10 644	11 710	118	124
Barloworld Investments Namibia (Pty) Limited [4]	H	NAD	1 450 000	100	100	4	4				
Finanzauto SA [2]	O	EUR	41 382 127	99.7	99.7						
Sociedade Technica De Equipamentos e Tractores SA [5]	O	EUR	4 000 000	98.8	98.8						
Zeda Car Leasing (Pty) Limited t/a Avis Fleet Services	O	ZAR	100	100	100						
Barloworld Siyakhula (Pty) Limited	O	ZAR	25 000 100	100	100						
Other foreign subsidiaries											
Other subsidiaries						187	187	182	182	45	45
						2 650	2 650	14 093	14 909	163	169

All companies are incorporated in (or operate principally in) the Republic of South Africa except where otherwise indicated as follows:

1. United Kingdom
2. Spain
3. Botswana
4. Namibia
5. Portugal

Keys to type of subsidiary

H - Holding companies

O - Operating companies

F - Finance 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.*

RIH Investment (Pty) Limited is dormant and has been moved to Other subsidiares as restated for the prior year

Notes to the financial statements continued
for the year ended 30 September 2016

		2016 Rm	2015 Rm
20	**Related party transactions**		
	The following is a summary of other transactions with related parties during the year and balances due at year end:		
	With subsidiaries of the company		
	Goods and services sold	138	137
	Dividends and interest - income	1 230	1 326
	Intergroup sale of property	-	87
	Inter group loans and other amounts due from related parties as at end of year	14 093	14 910
	Inter group loans and other amounts due to related parties as at end of year	163	169

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' remuneration and interest, share options, share apprecation rights and forteitable shares are disclosed in note 21.

During the year, the Automotive trading segment sold motor vehicles to the value of R2.3 million (2015: nil) to key management, prescribed officers or close family members of related parties.

Notes to the financial statements continued
for the year ended 30 September 2016

21 DIRECTORS' REMUNERATION AND INTERESTS

Directors' remuneration

The directors' and prescribed officers' remuneration for the year ended 30 September 2016 was as follows:

2016	Salary R000	Retirement and medical contributions R000	Car benefit R000	Other benefits R000	Guaranteed Package R000	Bonus R000	Total 2016 R000
Executive directors							
Residents							
PJ Bulterman	5 199	838	251	39	6 327	2 901	9 228
CB Thomson	8 244	1 562	266	52	10 124	6 302	16 426
DG Wilson	4 252	1 036	246	28	5 562	2 886	8 448
DM Sewela	4 352	701	268	38	5 359	2 308	7 667
Non-resident							
PJ Blackbeard	7 312	993	325		8 630	1 417	10 047
Total executive directors	29 359	5 130	1 356	157	36 002	15,814	51 816
Prescribed officers							
PK Rankin	3 700	696	320	76	4 792	3,286	8 078
Non-resident							
V Salzmann (retired 30 September 2016)^	4 732		196	995	5 923	1,413	7 336
Total prescribed officers	8 432	696	516	1 071	10 715	4,699	15 414
Grand total	37 791	5 826	1 872	1 228	46 717	20,513	67 230

^ Other benefits relates to a leave payout.

	Total fees 2016 R 000
Non-executive directors	
Residents	
NP Dongwana	512
SS Mkhabela	520
B Ngonyama	570
SS Ntsaluba	761
DB Ntsebeza	1 976
IO Shongwe	529
Non-residents	
FNC Edozien	1 327
AGK Hamilton (retired 3 February 2016)	754
A Landia (resigned 31 December 2015)	332
SB Pfeiffer	1 806
Total non-executive directors	9 087
Total directors' and prescribed officers remuneration	76 317

Notes to the financial statements continued
for the year ended 30 September 2016

21 DIRECTORS' REMUNERATION AND INTERESTS continued

Directors' remuneration continued

2015	Salary R000	Retirement and medical contributions R000	Car benefit R000	Other benefits R000	Guaranteed Package R000	Bonus R000	Total 2015 R000
Executive directors							
Residents							
PJ Bulterman	5 100	822	251	47	6 220	3 294	9 514
M Laubscher (retired 28 February 2015)	2 425	584	108	1 540	4 657	1 954	6 611
CB Thomson	7 988	1 496	266	50	9 800	5 081	14 881
DG Wilson	4 111	965	246	27	5 349	2 364	7 713
DM Sewela*	3 860	628	268	1 711	6 467	2 251	8 718
Non-resident							
PJ Blackbeard	6 452	856	217	5	7 530	3 268	10 798
Total executive directors	29 936	5 351	1 356	3 380	40 023	18 212	58 235
Prescribed officers							
PK Rankin	3 396	639	134	65	4 234	3 366	7 600
Non-resident							
V Salzmann	3 980		165		4 145	3 361	7 506
Total prescribed officers	7 376	639	299	65	8 379	6 727	15 106
Grand total	37 312	5 990	1 655	3 445	48 402	24 939	73 341

	Total fees 2015 R000
Non-executive directors	
Residents	
NP Dongwana	446
SS Mkhabela	482
B Ngonyama	484
SS Ntsaluba	605
DB Ntsebeza	1 905
IO Shongwe	446
Non-residents	
FNC Edozien	1 103
AGK Hamilton	1 936
A Landia	1 206
SB Pfeiffer	1 586
Total non-executive directors	10 199
Total directors' and prescribed officers remuneration	83 540

Notes to the financial statements continued
for the year ended 30 September 2016

21 DIRECTORS' REMUNERATION AND INTERESTS continued

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

The aggregate beneficial holdings as at 30 September 2016 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					
	2016 Forfeitable	2016 Direct	2016 Indirect	2015 Forfeitable	2015 Direct	2015 Indirect
Executive directors						
PJ Blackbeard	88 320	142 766		84 090	132 060	
PJ Bulterman	56 440	99 156		84 090	87 420	
DM Sewela	102 590			77 510		
CB Thomson	192 770	386 963	103	162 540	353 011	103
DG Wilson	95 290	145 704		84 090	129 193	
Total executive directors	535 410	774 589	103	492 320	701 684	103
Non-executive directors						
AGK Hamilton (retired 3 February 2016)					1 850	
S Mkhabela		37 430			37 430	
DB Ntsebeza		41 960			41 960	
SB Pfeiffer		10 000			10 000	
OI Shongwe		82 791	570	6 314	80 486	570
Total non-executive directors		172 181	570	6 314	171 726	570
Prescribed officers						
PK Rankin	59 470			42 420		
V Salzmann		8 634			8 634	
Total prescribed officers	59 470	8 634		42 420	8 634	
Grand total	594 880	955 404	673	541 054	882 044	673

Notes to the financial statements continued
for the year ended 30 September 2016

21 **DIRECTORS' REMUNERATION AND INTERESTS** continued

Executive directors

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) 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)
PJ Blackbeard							
Share appreciation rights							
2011	37 000			37 000	70.83		**27-Feb-14**
2012	35 000			35 000	96.48		**29-Mar-15**
2013	43 840			43 840	90.73		**18-Mar-16**
2014	35 060			35 060	106.82		**17-Mar-17**
2015	50 340			50 340	90.77		**29-Mar-18**
2016		45 150		45 150	72.77		**29-Mar-19**
FSP - no performance conditions							
2013	6 910		6 910	0	n/a	74.79	**18-Mar-16**
2014	6 210			6 210	n/a		**17-Mar-17**
2015	7 900			7 900	n/a		**29-Mar-18**
2016		7 970		7 970	n/a		**29-Mar-19**
FSP - with performance conditions							
2013	20 740		20 740		n/a	74.79	**18-Mar-16**
2014	18 630			18 630	n/a		**17-Mar-17**
2015	23 700			23 700	n/a		**29-Mar-18**
2016		23 910		23 910	n/a		**29-Mar-19**
PJ Bulterman							
Share appreciation rights							
2011	24 667			24 667	70.83		**27-Feb-15**
2012	35 000			35 000	96.48		**29-Mar-15**
2013	43 840			43 840	90.73		**18-Mar-16**
2014	35 060			35 060	106.82		**17-Mar-17**
2015	50 340			50 340	90.77		**29-Mar-18**
FSP - no performance conditions							
2013	6 910		6 910		n/a	74.79	**18-Mar-16**
2014	6 210			6 210	n/a		**17-Mar-17**
2015	7 900			7 900	n/a		**29-Mar-18**
FSP - with performance conditions							
2013	20 740		20 740		n/a	74.79	**18-Mar-16**
2014	18 630			18 630	n/a		**17-Mar-17**
2015	23 700			23 700	n/a		**29-Mar-18**

Barloworld Limited Company

Notes to the financial statements continued
for the year ended 30 September 2016

21 DIRECTORS' REMUNERATION AND INTERESTS continued

Executive directors 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) 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)
D Sewela^							
Share appreciation rights							
2011	15 758			15 758	70.83		**27-Feb-14**
2012	19 590			19 590	96.48		**29-Mar-15**
2013	31 510			31 510	90.73		**18-Mar-16**
2014	35 060			35 060	106.82		**17-Mar-17**
2015	50 340			50 340	90.77		**29-Mar-18**
2016		65 350		65 350	72.77		**29-Mar-19**
FSP - no performance conditions							
2013	5 270		5 270		n/a	74.79	**18-Mar-16**
2014	6 210			6 210	n/a		**17-Mar-17**
2015	7 900			7 900	n/a		**29-Mar-18**
2016		11 540		11 540	n/a		**29-Mar-19**
FSP - with performance conditions							
2013	15 800		15 800		n/a	74.79	**18-Mar-16**
2014	18 630			18 630	n/a		**17-Mar-17**
2015	23 700			23 700	n/a		**29-Mar-18**
2016		34 610		34 610	n/a		**29-Mar-19**
CB Thomson							
Share appreciation rights							
2011	85 000		85 000	0	70.83	90.66	**19-Aug-16**
2012	72 000			72 000	96.48		**29-Mar-15**
2013	80 440			80 440	90.73		**18-Mar-16**
2014	67 010			67 010	106.82		**17-Mar-17**
2015	96 950			96 950	90.77		**29-Mar-18**
2016		119 560		119 560	72.77		**29-Mar-19**
FSP - no performance conditions							
2013	13 550		13 550		n/a	74.79	**18-Mar-16**
2014	11 870			11 870	n/a		**17-Mar-17**
2015	15 220			15 220	n/a		**29-Mar-18**
2016		21 110		21 110	n/a		**29-Mar-19**
FSP - with performance conditions							
2013	40 650		40 650		n/a	74.79	**18-Mar-16**
2014	35 600			35 600	n/a		**17-Mar-17**
2015	45 650			45 650	n/a		**29-Mar-18**
2016		63 320		63 320	n/a		**29-Mar-19**

Notes to the financial statements continued
for the year ended 30 September 2016

21 DIRECTORS' REMUNERATION AND INTERESTS continued

Executive directors 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) 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)
DG Wilson							
Share appreciation rights							
2011	37 000		37 000		70.83	90.66	**19-Aug-16**
2012	35 000			35 000	96.48		**29-Mar-15**
2013	43 840			43 840	90.73		**18-Mar-16**
2014	35 060			35 060	106.82		**17-Mar-17**
2015	50 340			50 340	90.77		**29-Mar-18**
2016		55 030		55 030	72.77		**29-Mar-19**
FSP - no performance conditions							
2013	6 910		6 910		n/a	74.79	**18-Mar-16**
2014	6 210			6 210	n/a		**17-Mar-17**
2015	7 900			7 900	n/a		**29-Mar-18**
2016		9 710		9 710	n/a		**29-Mar-19**
FSP - with performance conditions							
2013	20 740		20 740		n/a	74.79	**18-Mar-16**
2014	18 630			18 630	n/a		**17-Mar-17**
2015	23 700			23 700	n/a		**29-Mar-18**
2016		29 140		29 140	n/a		**29-Mar-19**

Notes to the financial statements continued
for the year ended 30 September 2016

21 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) 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							
PK Rankin							
Share appreciation rights							
2009	26 927		26 927		51.04	80.00	**20-Nov-15**
2011	28 940			28 940	70.83		**27-Feb-14**
2012	24 710			24 710	96.48		**29-Mar-15**
2013	39 260			39 260	90.73		**18-Mar-16**
2014	33 210			33 210	106.82		**17-Mar-17**
2015	39 220			39 220	90.77		**29-Mar-18**
2016		45 150		45 150	72.77		**29-Mar-19**
Interest of directors and prescribed officers of the company in share options, share appreciation rights and forfeitable shares							
2013	14 830		14 830		n/a	74.79	**18-Mar-16**
2014	2 960			2 960	n/a		**17-Mar-17**
2015	6 160			6 160	n/a		**29-Mar-18**
2016		7 970		7 970	n/a		**29-Mar-19**
FSP - with performance conditions							
2015	18 470			18 470	n/a		**29-Mar-18**
2016		23 910		23 910	n/a		**29-Mar-19**
Non-executive director							
OI Shongwe							
Share appreciation rights							
2009	23 308		23 308		51.04	78.22	**19-Nov-15**
2011	30 000			30 000	70.83		**27-Feb-14**
2012	26 000			26 000	96.48		**29-Mar-15**
2013	31 510			31 510	90.73		**18-Mar-16**
FSP - with performance conditions							
2013	6 314		6 314		n/a	74.79	**18-Mar-16**

^ DM Sewela's forfeitable shares are cash - settled

The value at commencement date of the SAR rights awarded on 30 March 2016 was R24.06 per share.

The value at commencement date of the forfeitable shares awarded on 30 March 2016 was R77.80 per share.

Notes to the financial statements continued

for the year ended 30 September 2016

22 Events after the reporting period

On 17 November 2016 Barloworld signed an agreement for the sale of the assets of its Agriculture and Handling businesses in South Africa to a new operating company. The new operating entity will be held 50%:50% by Barloworld and BayWa AG, a German listed company. The closing of this transaction is contingent upon the fulfilment of the conditions precedent including approvals from the competition commission and principals, which we anticipate will be in place by the end of February 2017.

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